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FROM THE CONTENTS:—

Hongkong's Trade (June, ½-year 1949)
Hongkong Aviation & Shipping (July)
Dept. ST. & I Report 1948/49

Hongkong & Shanghai Hotels
Reports from Thailand
Reports from Malaya

Indonesian Trade Regulations
Japanese Reports
Selected Commodities Trade in June

RUSSIA IN ASIA.

By E. STUART KIRBY

In any discussion of the world's future, Russia appears as the Great Enigma. In their foreign dealings, the Russian leaders appreciate the fact. The role of mystification apparently accords with the Russian national character; however it also gives practical advantages in the present situation. It arms the Soviet leaders with always the appearance, and sometimes the actuality, of having the initiative on their side. The aim of their Cold War is to maximise uncertainty. While multiplying and magnifying their threats, they refrain accordingly from making those threats too specific. Above all they avoid commitment in advance to fixed programmes or policies abroad.

It is interesting to observe the Chinese Communists similarly trying to keep the rest of the world in suspense about their intentions and the prospects of maintaining relations with them.

Regarding the question of the general economic development of Asia, which is the topic with which this series of articles is essentially concerned, it is notable that the Russians advance no overall plans or comprehensive suggestions whatever. History is full of ironies; it is perhaps one of these that the first important measures of international and intercontinental planning (Lend Lease, Marshall Plan, World Bank, etc.) should be fostered by the homeland of individualist enterprise, the United States, and bitterly opposed by the land of Super-Planning, the Soviet Union. Another irony is that the USSR, whose doctrine is that economic factors are the

advances no such constructive proposals real determinants of human destiny, for the world economy. Beyond the essentially negative denunciation of exploitation, Russia contributes no economic suggestions, and seems bent on keeping the discussion as far as possible to the sphere of political and strategic issues. Whereas the Western Powers are increasingly forswearing all kinds of political and strategic intervention, and urging a concerted economic effort as the only way to a sound solution.

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Russia is now in fact the most self-centred country in the world. The Soviet Republic has travelled far indeed from its original position of 1918. Thirty years ago it regarded itself as the first weak outpost of a worldwide Revolution, and did not expect to survive unless that Revolution triumphed everywhere. But today Russia is committed to a course of self-reliance and self-containedness, historically unprecedented in kind and degree. The autarchist psychology is now manifested in Russia in its most extreme form. Day by day the Russians are taught that they have a better life than people in any other country. The most serious ideological crime, for them, is now "cosmopolitanism." Week by week a new claim is made in Moscow, not merely that Russia is today in the van of all technical progress, but that she has been so for many centuries; one after another, all the main technical discoveries from the time of Galileo to the present are announced to have been made or anticipated by Russians. (It is curious that these claims are technical rather than cultural. The Japanese and the Germans tended to put cultural claims first; and the Nazis wished not so much to discover forerunners, as actually to appropriate Shakespeare as a German and Jesus as an Aryan.)

The perspective may, as was suggested in the first article of this series, be clarified by assessing the relative resources of the different parts of the world. The vast territory of the Soviet Union contains, broadly speaking, basic economic resources which are greater and more conveniently located than those of Eastern Asia; but less so, in both re-

spects, than those of Europe, and much less so than those of America. Russia's potential may one day be so developed as to enable the Russian government to contemplate the undertaking of a development scheme of intercontinental proportions, or the underwriting of development needs so gigantic as those of Asia. But at present this is far from being the case, and the possibility will remain remote and theoretical for a long time to come. The Russians are heavily and increasingly committed to home development.

They are convinced, in the first place, that their security or very national existence depends on it; that to expend any labour-time or resources outside the Iron Curtain may be to give hostages to fortune, and can only be done at the expense of vital needs within the frontiers. Their long-standing fear of "capitalist encirclement," far from abating with the years, was intensified by the German invasion and has become a deep fixation.

* * *

Especially relevant to the Far Eastern problem is the consideration that the Soviet Union's economic and strategic power diminishes from West to East of her territory. Acutely aware of the fact that the centre of gravity in these respects has hitherto lain heavily within the European portion of the USSR, the Soviet Government early planned to draw it back towards the Urals. A further step followed with the development of an entirely new industrial region in Western Siberia (Kuznetsk basin) covering the Soviet Central Asian region to its southward, which is important strategically and as a source of subtropical materials. Western Siberia has still however a low density of population, and remains undeveloped even from the agrarian point of view; the great plans for its industrial transformation and integration with Western Russia absorb a large part of Russia's energies and resources, and will continue to do so. Comparatively little remains to be devoted to the Soviet Union's easternmost regions; though there have been developments there (Siberian line double-tracked, new railway in Trans-Baikal, creation of some minor industrial centres) the Soviet East remains generally undeveloped and comparatively unpopulated. Militarily and economically it is still more

The article "Russia in Asia" is one of a series which started on August 4 in the Far Eastern Economic Review ("Basic Trends in the Far East"—Nationalism, Communism and Development") and was continued on August 18 ("Imperialism and Internationalism"). The series is contributed by Dr. E. Stuart Kirby and deals with the general topic of prospects of economic development in the Far East.

The author, a graduate of the London School of Economics, has spent most of his life in the Far East. Before the war he was professor of Commerce in a Japanese college; during the war he served with the British forces in India, Persia, Burma, Free China and the reoccupation of Hongkong, and subsequently was at the Board of Trade, London. He is now Lecturer in Economics at Hongkong University.

of an outpost than a fortress. There has even been some retrogression in the area; before the War much was made of the development projects of Tannu Tuva and the Jewish State of Biro Bidjan, but—after the issue of numerous postage stamps—these plans appear to have been liquidated, the autonomy of these areas cancelled, and their names erased from Soviet maps.

A general conclusion is that Russia is not a candidate for integral participation in development schemes in areas outside her own direct domination. Soviet foreign policy (in the economic sphere as in others) places first the requirement of making her home territory impregnable and prosperous, second the undermining of actual or potential rivals, third the creation of buffer states or intermediate zones around herself, and only fourth the seizing of any opportunities which may arise further afield. Recent history amply illustrates this formulation. Outer Mongolia has been linked to the Soviet Union in many ways, but collectivisation and industrialisation have never been applied there; this is not solely because its circumstances are unsuitable for such a proceeding, seeing that these courses have been imposed, in the Soviet Union Proper, on districts equally unsuited. Too close a conflict with Japan was avoided, with the lease of fisheries on mild terms, and the sale to Japan of the Chinese Eastern Railway at a low price (never fully exacted). Communist parties addressed their demands for positive action to halt Japanese Imperialism to all governments—except that of the Soviet Union, which was justified in making deals with the Axis and in keeping its own borders.

Until in 1945 the exertions of other powers secured the downfall of Japan. The Russians invaded Manchuria. The behaviour of their troops to the Chinese population there could not be described as comradely. The country was stripped of such of its industrial equipment as was needed for use in Russia. The Red Army then withdrew, leaving the arms and stores not required for Russia to the Chinese Communists, whose part it was to establish a friendly but separate state further south. Russia retains the lines of communication in Manchuria. In the case of Korea the Russians will accept the unification of the country only if it is under parties approved by Moscow. In Japan, the Russians criticise all Allied actions without stating practical alternatives (other than the handing over of this country also to their puppets), and seek to restrict the number of countries participating in the peace settlement with Japan.

The Russian attitude towards the Far East veers between detachment, opportunism, highhanded contempt and marauding; never does it approach within measurable distance of proposals for partnership and joint investment with a view to development. It could hardly be otherwise with a great landlocked country which requires all its available resources for itself, which does not have

Europe's impetus to seek worldwide trade, or America's relative abundance of productive power available for good use abroad. Russia, after years of anxiety about Japanese militarism and dire experiences at the hands of the Germans, actually does not want any strong states for neighbours. So long as the Chinese Communists are weak and isolated, they may make a pose of being separate and "different"; but they may become strong only if they are directly integrated with the Soviet Union itself. Meanwhile Russia, boasting self-sufficiency, has no great economic requirements in East Asia. At present she buys in tropical Asia relatively small quantities of tin and rubber, vegetable oils and the like. Even these she is working to replace by home production, having for instance a large synthetic rubber industry; much of the present Russian demand is presumed to be for stockpiling. Yet there are people who believe that Russia could or would provide the dynamism required for the necessary development of East Asia.

Under the assumption that an armed clash with America is inevitable—now unfortunately an article of belief in Russia—the Soviet Union does however wish to deny the whole of Asia to the selected opponents. In this desperate conclusion there is little room for sympathy with the Asian peoples if their lands must become again a battleground, or remain meanwhile in disunity and agitation as no-man's-land between the embattled powers.

It is instructive to imagine what would happen economically if Communism triumphed in the whole of East Asia. Of the many aspects involved, one may be taken here which provides an important and graphic illustration—the problem of transport. Suppose for the sake of argument that the victory of Communism is immediate, the overthrow of existing governments suddenly accomplished without serious damage. If the new authorities could then seize and operate all the shipping serving Far Eastern waters, international economic activity within that area might continue. In reality, however, much of that shipping might escape their seizure; at least 60% of the tonnage concerned is on intercontinental routes, only a fraction would be in port at the moment of seizure. The other assumptions made above are all very sweeping; the spread of Communism would presumably be more gradual, the destruction great. More probable than another Pearl Harbour would be long phases of guerrilla and civil warfare; foreign vessels would be withdrawn by the time Communist victory seemed certain. At present foreign shipping continues to serve North China, but conditions would be very different if Communist rule were less localised.

The consequences of a decline in shipping on the scale suggested can best be illustrated by a reference to wartime experience: the swift decline of

Japan's shipping soon brought East Asia's economic life practically to a standstill, and imposed primitive conditions of local self-supply. The general success of the Communists would mean immediately a great stringency, if not full reversion to such conditions of the Japanese occupation as were characterised by the growing of vegetables instead of industrial crops, the use of fantastic substitutes, and the building of wooden ships. Russia could do nothing to remedy the lack of shipping. Her whole merchant fleet is the seize of those of Denmark and Spain; ocean shipping has no significant part in Soviet plans. Russia is the only country which has more submarines than cargo ships. The Soviet Union has air power, but can hardly be expected to furnish an Asian Air Lift, which would have to be on a scale infinitely greater than the recent Allied effort in Berlin.

It is a reasonable presumption that the Russians would in fact be acutely embarrassed if any large portion of Asia thus flung itself upon the snowy Soviet bosom. Apart from material difficulties, would the Russians wish to bear the onus of superintending, guiding, or planning these vast masses of people and their formidable problems, at the risk of being held to blame for all disappointments? No; Russian policy would surely remain essentially what it is at present: to incite each Asian national group to break with the West, and then to let it stand on its own feet. This means inevitably a pattern of nationalistic subdivision and autarchism, on which no very great development of Asia can be based. Eastern Asia would, from the Russian point of view, present a different and far more difficult problem than that of Eastern Europe.

Suppose, finally, that the Soviet Union nevertheless undertook some such involvement in the difficulties and aspirations of Eastern Asia. An overall plan of real investment being out of the question, the USSR could then only pursue—on a diminished scale, according to what resources were available—procedures which would in effect be exactly analogous to those which would be open to the Western powers (in the parallel event that the latter were called upon to invest in Asian development, but were unable to impose a general plan such as the Marshall Plan.)

These theoretical alternatives to an overall plan were postulated in our preceding article (of August 18) as being: (a) heavy dependence on Japan and a few other industrially developed districts as "going concerns," (b) selection of "key points" on which investment would be concentrated by a scheme of sharply graded priorities, or (c) some form of "regionalism." The Communists would be able to use a whole new terminology about these processes, but from the objective point of view it is hard to see how their procedures would differ in the last analysis from those applicable by the Western powers. In either case the upshot of these courses

is to favour one local or sectional interest over another, to magnify existing contrasts, and foster division rather than integration.

* * *

The above are hypothetical cases based on very conditional assumptions. In real life, direct Russian participation in Far Eastern affairs would perhaps be rather localised. It would largely be directed towards supplying Communist China, but unlikely to have either the ability or the wish to make of China a separate Great Power. It is likely to make use of Manchuria, but will desire to see that region look to Moscow and Peking (the latter name is apparently to be revived for the northern capital); their Manchuria will not look overseas. Russia might be willing or glad to take over Korea and Japan. All these areas would be in effect appendices to the home-based structure of the USSR, outworks in its defences, transmission lines for spreading propaganda and other weapons further afield, and springboards for any further strategical steps. Russia has now fulfilled her long-discussed desire for an ice-free port, with the control of the South Manchurian harbours; it is clear that their usefulness to her is not mainly in the economic field, and it will be interesting to see which will have the greater activity—Port Arthur the naval base, or Dairen the commercial port.

This set-up is in any case alarmingly reminiscent of the "Bloc system" by which Japan built up, in successive stages of regional economic development, her power of aggression. First, Korea and Formosa were integrated into the Japanese scheme; their economies were shaped and adapted to meet Japan's requirements. The effects of this distortion in their growth are still evident today. Next "Manchuokuo" was created and appended; the formula of "bloc development" was accordingly amplified, and the "Japan-Manchuokuo Bloc" was advanced by the Japanese as the foundation of their programme for the "Liberation" of East Asia. With the Japanese incursion into North China, the unit became the "Japan-Manchuokuo-North China Bloc", and it was not long before the same economic principles were broadened into the scheme for a Coprosperity Sphere to embrace all Asia and the South Seas, and ultimately the "eight corners of the world under one roof." The present process is not dissimilar, and the outcome might be the same.

* * *

The discussion of Russia's intentions and prospects in Eastern Asia seems remarkably abstract and hypothetical, whichever way it is approached. The intentions have to be guessed, and arbitrary assumptions made accordingly; so that the enquirer seems always in danger of reasoning in a circle. This uncertainty is apparently a deliberate cultivation of the psychological warfare of the Communists. It is, in the Marxist phrase, "not accidental" that such

The Importance of Hongkong

The island of Hongkong was ceded to Britain by China just over a hundred years ago. A little later the tip of the peninsula of Kowloon was similarly ceded, and in 1898 the New Territories were leased for 99 years. At that time the island and the peninsula were almost uninhabited. There were a few fishermen who fished over the waters of the Colony and returned home to rough shacks in the island's bays and inlets. There were also a few pirates who sheltered here as they waited for the cargo junks which plied up and down the coast. Apart from these two insignificant groups, who had no very firm hold upon the place, there was no one. It is no exaggeration, therefore, to say that, at the time of the cession of the island, 1841, it was virtually uninhabited. Today, 108 years later, the Colony has a population of approximately 1,875,000, of whom the vast majority live on the island and on the Kowloon peninsula. Of these people all those who were born here, whatever their race, are British subjects, and for many of them this is their only home.

Hongkong is and always has been a free port. The British have always believed in freedom to travel and trade, and it is through the free interchange of ideas which is possible when men meet to trade that understanding between nations is fostered. People come and go with great facility. They bring their goods and services, and the Colony has thrived on this process until to-day it contains the eighth largest port in the world and handles in its minute airport two-thirds of the traffic of the London airport of Heathrow. One reason for this extraordinary development is the clear advantage of its geographical position and its unique facilities. A second is the ingenuity, resilience and hard work of its native peoples. But neither of these advantages could have been turned to much account if it had not

been for the stability, security and initiative which a century of British rule and British traditions has provided.

In Hongkong live people who were born here and know no other home. Another group came here of their own free will, and some have remained, and some go and come again. Why did they come? They came because there was impartial justice here, because there was protection from bandits and pirates and pick-pockets, because there were laws of health and sanitation which protected them from disease, business laws which protected them from cheats and tricksters; they came here because the administration was honest, the banks secure, human rights respected, and they came here finally because in many cases this small Colony provided what their own homes did not.

The traders have come from the very beginning. They continue to come as they will always come to a place where currency is stable, communications are world-wide, and law and order prevail. But the refugees came for a different purpose. They came to seek refuge from revolution and war and persecution. Whenever turbulent events shook China there were always refugees crowding over the narrow border. In 1911 the Manchu Empire was overthrown. After the first world war a series of bitter and prolonged civil wars ranged from Peking to Canton. Then there was the Japanese invasion and now the new civil war between the Communists and the Nationalists.

At all these times of trouble thousands of Chinese left their homes and their own country and found shelter and safety in this tiny British Colony. But apart from the Chinese there were others who came.

These people, Asians and Europeans, have all come because Hongkong was British and because it had a long reputation as a safe refuge which would open its doors to the oppressed and provides the protection and security of British justice.

Hongkong is the natural port for the entire South China region, it is within easy reach of Japan, Korea, the Philippines, Indochina, Borneo and Singapore. With its magnificent harbour, which, with Sydney and Rio de Janeiro, has a claim to being the finest harbour in the world, it is the veritable nerve-centre of the Far East, and since the war this position has been accentuated by the eclipse of Japan as a world power, and by the unsettled condition of China which has tended to reduce the importance of Shanghai and the North China ports. In addition, Hongkong has made a unique post-war recovery after the

should be the case. Because Russia, in her present status and character has no intrinsic place in the scheme of Asian development, and no great material contribution to make in that task. Russia has even a vested interest in maintaining confused or negative conditions over most of the area. Her intervention is suspect and disturbing, so long as she offers nothing for the concrete equipment of the area, and talks re-creation instead of trade promotion. Fortunately Russia is relatively weak in the Far East, has most to do in her own territories in that region, and—in her obsession of future war—must look to other fronts as well.

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ravages made upon it by the Japanese. Already by 1947 the total overseas trade of this single city—£175,000,000—exceeded that of China, Japan and New Zealand, and was over half that of the Philippines and Malaya. By 1948 the figure had risen to over £228,000,000. At the present time almost all South China's trade with Siam, Indochina and Indonesia is financed through Hongkong. It is in fact no exaggeration to say that the City which the British people raised from a barren rock now commercially dominates the Far East.

It is not difficult to see how, in the transitional and insecure phase of history through which most of the Far East and South-East Asia is now passing, this island, with its unique wealth, its stable currency, and its unrivalled position as a banking, shipping and insurance centre (Hongkong firms insure the greater part of the total freight shipped in the Far East), attracts to it more and more trade, on the principle of the snowball gathering more snow as it rolls along. One must appreciate the cosmopolitan nature of this place, where people of every nationality are drawn together in pursuit of commerce which, were it not for the stability Hongkong offers in the midst of an unsettled continent, would be carried out, if at all, only under great difficulties.

Into this great nerve-centre of commerce are brought annually millions of dollars worth of British exports which in this unique market can be viewed, purchased and reshipped to any country in the world. Fifteen per cent. of the total imports into Hongkong come from the United Kingdom, which stands second only to the United States in this respect. The U.S.A. produces 20 per cent. of Hongkong's imports. Total imports from the British Commonwealth, however, top this. 25% of Hongkong's imports are Commonwealth products, and 30% of total trade is with other Commonwealth countries. Only a small amount of these imports remains in Hongkong. Most of it is re-shipped to other countries whose agents buy for them in Hongkong, which is one of the largest entrepot trading centres in the world. 30% of Hongkong's trade is with China, and the Colony serves as the principal doorway whereby British goods reach the vast potential market of the Chinese interior.

Hongkong is, therefore, a superb Oriental shop-window for British goods. To have such a shop-window several thousand miles from home is something which not even the U.S.A. or the U.S.S.R. can claim. It is an unique advantage of which Britain makes full use to increase her exports. She also allows China, the U.S.A., and any other nation who wishes to use it, to have a share in this shop-window.

Without possessing Hongkong, Britain and the Commonwealth would at the present time have no means of

Hongkong Government Assistance to Trade & Industry

REPORT BY THE DEPARTMENT OF SUPPLIES, TRADE & INDUSTRY FOR THE FISCAL YEAR FROM APRIL 1, 1948 TO MARCH 31, 1949

1.—SUPPLIES.

Although all imported commodities other than rice had been removed from international allocation procedure before April 1, 1949, world shortage continued in many cases and the Department continued to import and distribute throughout the 12 months from April 1948 to March 1949 the Colony's requirements, in whole or part, of rice, bran, flour, wheat, sugar, butter, fresh meat, coal and coke, and cotton yarn.

The structure of the rationing scheme remained largely unaltered, rice and flour being distributed through one main distributor (Wing Wo Hing) and a group of 153 specially appointed retail shops, and sugar through another main distributor (Messrs. Butterfield & Swire) and a separate chain of re-

displaying their products to the Chinese. The Japanese and Philippine markets would be beyond Britain's reach, and so, due to internal warfare, would be Indochina.

The rise in the standard of living in Asia means that Oriental villages where once the bullock-cart, the wooden hoe, and word-of-mouth transmission of news were sufficient for the inhabitants, will one day be requiring bicycles, omnibuses, ploughs, electrical equipment, wireless and cans. If British goods are ready to hand, the villages of the East can be supplied by Britain. The change which is beginning now in Asia is of such an immense nature that it is difficult to appreciate what it will mean commercially. All that is clear is that, slow though it will undoubtedly be, this great change has already begun, and it is essential that British business remains on the spot so as to take full advantage of it. It may be that the shop-window in Hongkong will be used to an even greater extent than at present.

For the moment, though, two things are certain. The first is that without this vital Asiatic mart the extent to which Britain could export her goods in the Far East would be diminished, and this in its turn would mean to England the lowering of output. The second point is that it is the presence of a British Government and of British troops in Hongkong which is alone responsible for the city's present flourishing condition and its maintenance as a free port which in fact constitutes its value as a commercial centre.

(Condensed from a Hongkong Government compiled booklet "Why Hongkong?", published for the special benefit of the British forces in the Colony).

tailers. At the end of the year 215,513 family rice ration cards were in existence, covering 1,001,497 persons, out of a total population estimated at 1,800,000. Rations for non-rice ration card holders were issued through the Dairy Farm, Ice & Co., Ltd. and Lane, Crawford, Ltd. Ration scales were as follows: 5.6 to 7.2 taels of rice per day at 54 cents per catty; 1.6 taels of flour per day at 56 cents per catty; 2 to 4 lbs of sugar per month at 35 to 45 cents per lb; 1 to 2 lbs of butter per month at \$2.10 to 2.40 per lb.

Rice.

Procurement. Rice continued to be allocated by the International Emergency Food Committee, of which a Subcommittee sat monthly in Singapore to arrange shipping programmes against actual availabilities at the ports. Hongkong's quota for the year 1948 was 115,000 tons; actual availabilities for shipment fell only little short of this but 10,000 tons allocated from Egypt was rejected owing to unsuitability for Hongkong and transferred to Malaya. An allocation of 60,000 tons was made to Hongkong for the first half of 1949.

Actual receipts during 1948-9 were as follows (shipped weights in metric tons):—

Siam	50,735
Burma	28,001
French Indochina	11,871
Total	90,697

Rice from Siam continued to be procured on Hongkong's behalf by the U.K. Ministry of Food's agents in Bangkok, while Burma rice was shipped by the Agricultural Marketing Board of Burma in conjunction with the Ministry of Food. Indochina rice was purchased direct from the official consortium of exporters in Saigon, A. B. David & Co., acting as agents of the Hongkong Government.

There was considerable improvement both in the quality of rice received and in landed weights. The average loss in transit from Rangoon fell from 2.18% in 1947-8 to 1.4% in 1948-9 and from Bangkok from 4.76% to 2.4%.

Prices. The export price of rice from both Siam and Burma was unchanged. The price of Indochina rice was slightly higher owing to the unsettled state of the country. The ration price remained 54 cents per catty for average grades. It became impossible, however, owing to the increase in free market supplies and the drop in their price, to charge this average price for all grades of rice, and, on occasion, lower grades were

issued at prices ranging down to 45 cents and special grades at 60 cents.

Distribution. Hongkong's increased allocation and its implementation by supplying countries made it possible to increase the ration from 5.6 tael per day per person to 7.2 tael on 1st August, 1948. The irregularity of the outflow of supplies combined with the comparative regularity of consumption requirements made it necessary at times to carry excessively large stocks and caused considerable storage problems. The uncertainty of the future made it undesirable to increase the rationed population or the basic ration; while towards the end of the year the position was complicated by a reduction in normal ration offtake caused by an increase in free market rice and the consequent reduction in free market price (which actually fell below the import cost at one period toward the end of the year). Several steps were taken to relieve the situation:—

(a) In June, 1948, approximately 10,000 tons were lent to the Philippine Republic which was experiencing a shortage. This was followed in November by the loan of 9,000 tons to Shanghai; this loan was made, however, to relieve the food situation in that city, not to relieve the storage situation in Hongkong stocks by then having fallen nearer to the minimum safety level.

(b) Special bonus issues of rice were made to the rationed population, particularly at festivals. These totalled 19 catty per person over the full year. (c) Rice was issued to the free market through rice importers' and merchants' associations. This step was useful in keeping free market prices within controlled limits.

An extra heavy workers' ration of $\frac{1}{2}$ catty per day continued to be issued, although there was little demand in spite of a reduction in price from 60 cents to 54 cents per catty.

Total issues of rice were as follows:—

Rations	48,449 tons
Fisheries	658 "
Charitable Organisations	335 "
Ships	458 "
Heavy workers' extra rations	876 "
Establishments	7,912 "
Free market	12,040 "
Total (excluding foreign loans)	70,728 tons

Stock at the end of March 1949 was 56,452 tons (excluding loans totalling 14,615 due for repayment), representing four and a half months' stock at full consumption.

Flour.

14,646 tons of Australian flour was imported during the 12 months period and 15,353 tons distributed, leaving a stock of 2,616 tons or over two months' consumption at the end of March 1949.

The ration of flour had been reduced during the previous fiscal year as the rice ration was increased and stood at 1.6 tael per person per day at the beginning of the year; the price was 56 cents per catty or 42 cents per lb. Offtake from the ration fell severely with the increase in free market rice supplies and flour was in consequence derationed as from 15th September, 1948, distribution of Government imported supplies being put in the hands of 14 importers who had participated in the 1941 emergency stock scheme. The retail price was fixed at 40 cents per lb.

At the same time arrangements were made for the release of approximately 300 tons of commercially imported hard wheat flour per month for sale to bakeries, noodle-makers, etc.

Wheat.

Two shipments totalling 297 tons of Australian whole wheat were received for milling locally into Atta for the Indian community.

Sugar.

All sugar requirements for internal consumption continued to be imported on Government account under the U.K. Ministry of Food bulk purchase arrangements. There was a welcome increase in the proportion of sugar supplied in the shape of refined white sugar, 7,898 tons of this type being received as against 6,025 tons of raw brown sugar.

The ration was maintained at 2 lbs. per month, except for a special issue of 4 lbs. of brown sugar in April, 1948; brown sugar was issued on seven occasions, white sugar on five occasions. The price of white sugar remained at 45 cents per lb. brown sugar was reduced from 40 cents to 35 cents per lb.

Total issues of sugar were as follows (in tons):—

	Brown	White	Total
Rations	4,361	3,935	8,296
Ginger manufacture	—	1,383	1,383
Other manufactures	730	510	1,240
Restaurants	13	—	13
Total	5,104	5,828	10,932

Stocks at the end of the year were 4,550 tons of white and 4,946 tons of brown sugar. In view of this very satisfactory position, it was decided to deration sugar on 1st April, 1949.

Butter.

There was a slight increase in the import allocation of Australian and New Zealand butter in 1948, but supplies were still only a fraction of demand. Approximately one-third of the allocation was imported and distributed through commercial channels in the form of tinned butter. The remainder was imported as fresh butter on Government account; this was distributed partly through the rationing scheme, partly by free sale on a restricted basis

through a limited number of retailers. The price of butter at the source rose gradually during the year; the retail price in Hongkong increased from \$2.10 to \$2.40 per lb.

Meat.

The question of returning the procurement of meat supplies from overseas to commercial channels was considered in conjunction with the General Chamber of Commerce. As, however, shortage of refrigerated space made it necessary to make special arrangements for bulk consignments, it was agreed that Government procurement should continue for the time being. Another relevant factor was cost; it was estimated that supplies purchased on a commercial basis would cost about 15% more than Government supplies.

One large consignment of 2,400 tons was received toward the end of 1948 in a specially chartered vessel, and several other smaller consignments were received in liners. Total sales amounted to about H.K.\$44 million. Stocks at the end of the year represented about nine months' supply at current consumption.

Fuel.

A. Coal and Coke

The problem ceased to be one of absolute shortage, although coal from most sources remained subject to export allocation and control, and became rather one of obtaining coal of adequate quality at the lowest possible price. While importation and distribution remained in Government hands, actual purchase and shipping arrangements continued to be made on behalf of the Department by the main prewar importers, except in the case of Japanese supplies which were purchased on a Government to Government basis. As from August, 1948, procurement of gas coal from India was left to the gas company, the Department merely setting up the necessary export quota.

A total of 258,209 tons was imported during the year and a total of 286,045 tons was sold, stocks held by the Department falling from 55,794 tons at 1st April, 1948, to 27,958 tons at 31st March. Sources and types were as follows:—

Source	
Japan	109,412 tons
South Africa	46,103 "
India	95,418 "
French Indochina	3,554 "
Netherlands East Indies ..	3,722 "
Total	258,209 tons

Type

Bituminous lump	153,292 tons
Bituminous dust	84,823 "
Anthracite dust	13,716 "
Gas	3,358 "
Coke	3,020 "
Total	258,209 tons

Bituminous lump. Supplies of bituminous lump were adequate throughout the year and the general improvement in the position enabled a reduction to be effected in the level of stock carried. Supplies came in roughly equal proportions from Japan, India and South Africa; one small consignment was received from Palembang. The quality of Japanese coal tended to fall, whilst that of Indian varied considerably. Unfortunately, no allocations of South African, which is the most reliable in respect of quality, were received after July, it being considered by the London Coal Committee that supplies of Indian and Japanese coal should be adequate to meet requirements. Indian coal was allocated by the Indian Government in the shape of a block quota for South East Asia, the allocation between territories being in the hands of the H.M. Commissioner General at Singapore.

Bituminous dust. Supplies to the power stations and other users were maintained largely from Japan with an occasional consignment from India.

Anthracite dust. It was not possible to continue to obtain supplies from the normal source, French Indochina, owing to deterioration in quality and excessive price. Fortunately an alternative source was secured in South Africa; quality was good and price reasonable.

Coke. Of the 3,020 tons received in 1948-9, 2,065 tons came from India and 955 tons from South Africa. Supplies were difficult throughout the year, average consumption being only 300 tons per month against an estimated demand of 600 tons per month. Distribution was, therefore, on a strictly rationed basis and with co-operation from consumers no serious consequences to industry resulted. Even this inadequate flow of supplies dried up at the end of 1948. At 31st March, 1949, stock was 517 tons or just over six weeks supply on a restricted basis. No further supplies were in sight but negotiations had been begun for supplies from the U.S.A.

Other sources. No further supplies were received from U.S.A., Canada and Sakhalin. An attempt was made in 1948 to secure supplies from Taiwan but this broke down when the Kailan Mines were lost to the Chinese Government. Trial shipments were made from Dutch Borneo but proved unsatisfactory in quality. Two speculative cargoes arrived from the Communist-controlled Kailan Mines before the end of the year for re-export to Canton; quality appeared to be poor.

Prices. The c.i.f. cost of coal fell gradually throughout the year; this was due to the general fall in freight rates rather than in the f.o.b. cost of coal. Freight from Japan, for example, fell from 32/6 to as low as 19/- per ton. These reductions were passed on to the consumers; the selling price of Japanese lump was reduced from \$107 to \$90, of Japanese dust from \$80 to \$74, of Indian lump from \$110 to \$105, and of South African lump from \$107 to \$103.

Discharge. Discharge of coal continued to be carried out under the supervision of the Sworn Measurers & Weighers. Both outturns and rates of discharged were most satisfactory. Average loss over the full year was 1.5%, while despatch money earned on 37 vessels amounted to \$484,584. There was only one case of demurrage amounting to \$4,771.

Storage. The Department continued to rent the Lai Chi Kok Yard and part of the North Point Yard at Mackies Wharf.

Contractors. Wang Kee & Co. continued to act as stevedores and contractors throughout the period. Their contract was renewed, under public tender, for the first six months of 1949.

The question of the return of the coal trade to commercial channels was referred to the General Chamber of Commerce, which advised that, as long as there were controls at the sources of supply, it would be difficult and probably undesirable to take this step. An attempt was, however, made to form a consortium of the leading firms to take over the whole coal trade on a co-operative basis as a temporary measure, but it was found impracticable to do so on a basis satisfactory to all interests.

B. Firewood

Reserve stocks of firewood were maintained throughout the year. 75,133 piculs were in stocks on 1st April, 1948, no further supplies were received and 9,877 piculs only were sold, leaving a stock of 65,256 piculs at the end of the year. In March the Fuel Controller visited Borneo and Malaya to make arrangements for emergency supplies.

Shipping, Storage, Insurance

The total volume of imports handled by the Department was 529,983 tons carried in 427 vessels; the total volume of exports was 29,964 lifted by 9 vessels. It is noteworthy that in spite of the volume handled there was only one case of demurrage charges either in respect of ocean going vessels or lighters. Storage problems were at times acute, but with the co-operation of the godown companies, were successfully solved.

Full insurance cover was maintained on all stocks in Hongkong through a local group of underwriters. Premiums paid totalled \$565,637; refund premiums totalled \$308,207, leaving a net cost of \$257,430. 4,700 bags of rice were lost in the Wing On fire; the claim for \$286,000 was settled in full. The Claims Section registered 168 claims totalling \$511,304 against shipping companies or under marine insurance policies. Of these 121 valued at \$337,275 were successful, and 2 valued at \$3,741 were unsuccessful. The remainder were still outstanding at the end of the fiscal year.

II.—TRADE

Import Control

While imposed under the powers of the Department, import control was in practice operated by the Imports & Exports Department. The Department, however, advised on the allocation of import quotas in the case of goods subject to such control. The list of such goods was substantially reduced during the year.

Export Control.

Under the Prohibited Export Order control was maintained on the export or re-export of two categories of goods:—

(a) Commodities subject to international agreements, e.g. rice, tin. Exports were only permitted in accordance with such agreements.

(b) Essential goods, the Colony's supplies of which it was necessary to husband, e.g. building materials. The list of these was kept to the minimum, policy remained flexible and maximum exports was permitted in relation to the current and prospective supply position at the time. It was, however, not always easy to reconcile the conflicting interest of local consumers and of merchants. Export licences for such commodities were issued to a value of about HK\$220 million or about 15% of the Colony's total exports; the main items were cotton yarn (\$51 million), gunny bags (\$90 million) and steel (\$40 million).

The further categories of "Controlled" and "Restricted" Exports were administered by the Imports & Exports Department and Exchange Control, although the necessary orders were promulgated under this Department's powers.

Special arrangements were continued for facilitating entrepot trade in certain controlled commodities (e.g. flour and sugar) under the Restricted Commodities (Re-export) Order.

Exchange Control.

The Department advised the Exchange Control on the allocation of foreign exchange for imports.

Price Control.

The improvement in supplies of a wide range of commodities led to a progressive relaxation of price controls throughout the year. At the same time permitted profit margins were in general reduced in the case of essential goods which remained in short supply and enforcement measures were concentrated on these.

The Price Control Advisory Board continued to meet from time to time. During the year 724 summons for price control offences were taken out and heard in court. Fines imposed totalled \$61,065 or an average of about \$77 per offence; this was approximately \$10 less than the average in previous years.

Trade Promotion.

Work in this direction has largely been of a negative nature, that is, restriction of controls to a minimum and rapid operation of such controls as were unavoidable, but it has been possible to do a certain amount in a positive direction although no special section has been established for this work. Representations have been made to secure import quotas of Hongkong goods into other countries, notably the United Kingdom, and to remove any unreasonable restrictions on trade with Hongkong. Close liaison has been maintained on all trade matters with Trade Commissioners and foreign Consulates. Routine foreign trade enquiries from merchants abroad have generally been passed to the Chamber of Commerce, but have been answered direct whenever any matter of principle or policy has been raised.

Japanese Trade.

One channel of trade on which considerable promotional work was done was trade with Japan. Hongkong remained outside the Sterling Area Payments and Trade Agreements with Japan and trade was continued on the basis of a balancing open account maintained between Hongkong and S.C.A.P., all commercial transactions in either direction passing through this account. All transactions were at official rates of exchange.

While credits earned by exports to Japan were never adequate to satisfy merchant demand for imports, it was possible to provide adequately for all essential imports and at the same time allocate substantial amounts of exchange to merchants for non-essentials; in connection with the latter first priority was given to those who had assisted in building up exchange credits by exports to Japan.

An office was maintained in Tokyo throughout the year both to conduct routine business connected with the operation of the open account and to give any assistance required by Hongkong merchants in Japan. Relations with S.C.A.P. continued to be most cordial.

The maintenance of the open account and the routine handling of documents was taken over by the commercial banks in April, 1948. A central account was maintained by the Hongkong & Shanghai Banking Corporation and actual transactions were handled by it and five other banks. This transfer took a very considerable burden off the Government Treasury, but the work of the Department on Japanese Trade continued to be extremely onerous, involving not only the maintenance of accounts, but also, in view of the Department's status as ultimate consignee, the discharge, storage and delivery of the bulk of cargo arriving from Japan under open account arrangements.

The volume of trade with Japan continued to grow throughout the year. The value of imports totalled HK\$71 million and the value of exports HK\$68 million. This was an average of HK\$11½ million per month in both directions, but by the end of the year trade was in fact flowing at about HK\$16 million per month.

The Department also handled applications for entry of businessmen into Japan, maintaining a liaison for this purpose with the U.K. Liaison Mission. 72 Hongkong merchants visited Japan during the fiscal year.

III.—INDUSTRY.

The Industry Section was handicapped by the temporary nature of the Department, as much of the work to be done required long term planning. Its work was, therefore, necessarily of an *ad hoc* nature.

While the Section handled many miscellaneous matters connected with industrial development, its work was mainly connected with raw materials and foreign markets.

(a) *Raw Materials.* In the case of raw materials in short supply the Department has endeavoured to ensure adequate supplies; e.g. cotton yarn, refined sugar for ginger preserving, tinsplate for food canning, where necessary allocating between users. In the case of raw materials to be imported from hard currency countries a quota system based on factory capacity was operated. While the residue of rayon yarn stocks was liquidated and procurement returned to commercial channels, the Department continued to provide the textile industry with its basic requirements of cotton yarn. Actual offtake from Government stocks fell from 36,559 bales in 1947-8 to 8,541 bales in 1948-9. It is estimated, however, that the total consumption of local textile mills was approximately the same as in the previous year (60,000 bales), the reduction in Government supplies distributed being compensated by local production (20,000 bales) and commercial imports, largely smuggled from China on a falling exchange. The latter source cannot be relied on for the future and the Department continues to carry a substantial reserve stock against contingencies.

Deliveries of Cotton Yarn to Factories (excluding high count English Yarn) 1948/49.

Bales of 400 lbs. Nett.

Counts	Weavers	Knitters	Total
10's	78	26	104
20's	6,319	1,664	7,983
32's	243	106	349
40's & up	55	58	113
Total	6,695	1,854	8,549

Cash turnover of the Department in 1948/49.

I. Marketing Section:

Textiles ...	\$ 1,383,881	
Canned Goods ..	77,790	
Meat	4,277,769	
Butter	1,969,028	
Miscellaneous	422,858	\$ 8,131,326

II. Rice Section:

Rice	557,494,461	
Flour	12,773,995	
Sugar	8,334,815	78,603,271

III. Fuel Section

29,706,605

IV. Industry Section:

(Cotton & Rayon Yarn) 20,107,332

V. Japanese Trade Section:

Imports ..	\$71,001,440	
Exports ..	67,683,450	138,684,890

Total \$275,233,424

Foreign Markets. Representations were made wherever practicable for the lifting or relaxation of import restrictions on Hongkong manufactures where these existed. The Hongkong Government Agent in London paid a visit to the Colony late in the year with the principal object of discussing with local manufacturers and merchants the question of import quotas for Hongkong goods into the United Kingdom; the principal commodities concerned were preserved ginger and rubber shoes.

FUTURE OF THE DEPARTMENT.

At the end of the 1948-9 financial year the Department of Supplies, Trade & Industry ceased to exist under that name. The Department is intended, however, to carry on its temporary functions under the title of Department of Supplies & Distribution, so long as there should be any need for these; its more permanent functions being taken over by an expanded Department of Imports & Exports under the new title of Department of Commerce & Industry.

Hongkong Stock & Share Market

Quotations have again reached the lowest level so far recorded during the last 3 years. Business remains however within narrow limits and sellers are few. On the other hand buying interest even at last week's apparently rockbottom prices is reticent with only a small number of conservative investors adding slowly to their portfolios. The public at large is abstaining from doing business in the share market and no prospect of earning high returns on capital is at present attracting new money. The relatively few sellers are usually hard pressed merchants who must liquidate what assets they hold as their business commitments on account of heavy overstocking and difficulty of re-export to China have recently been aggravated. This situation has been taken advantage of by astute market operators who keep prices down by refraining from making larger purchases and persuading their clients to follow this policy.

The advance of the People's armies into Kwangtung has caused some concern here although the eventual capture of Canton has been regarded long ago as a certainty. It appears that the majority of shareholders here regard the forthcoming assumption of control by the 'reds' in Canton as an unwelcome event and believe that some sort of trouble with the new regime may be expected. The lack of confidence in the continued correct relations between Hongkong and China (under the Communist Party control) has found its expression in the absence of interest in local share investment. This situation cannot be expected to undergo a great change for the better unless the present apprehensions are dispelled, i.e. if and when the establishment of the new regime in Canton will prove to be

no menace to the security of the Colony. Meanwhile everybody reiterates the words of Hongkong's Governor of some time ago, viz. to hope for the best and prepare for the worst, always trusting that 'red' China will appreciate the services and commercial potentialities of a friendly Hongkong.

The progress of military preparations by the British forces in the Colony has been remarkably fast and residents are now feeling convinced that any attack from abroad would be repulsed; however hardly anybody really believes that the People's army will launch an open or masked attack on the Colony. That the U.S. will also, in case of a military emergency, come to the rescue of Hongkong and that the British Dominions have recently taken a very active interest in the position of Hongkong as an important member of the Empire are cheering facts for the local citizens. The pessimists still argue that some internal unrest could be provoked but they fail to be more specific as to the sort of people to be involved. Government has prepared suitable legislation to combat any possible threat to the peace and order of the community; while some new emergency ordinances are criticised as being too general and providing for too drastic punishment, the general consensus of opinion (Chinese and European) is that Hongkong's Legal Department, under the indefatigable Attorney General Mr. J. B. Griffin, has succeeded in drafting adequate laws for the protection of the community in case of any attempt being made to cause unrest among the people of this Colony.

Volume of Business:—Total Sales reported amounted to 50,380 shares an approximate value of \$1 million, an increase of \$½ million, compared with the previous week.

Price Index:—The Felix Ellis averages based on the closing prices of 12 active representative local stocks closed at 124.10 for a net loss of .90 compared with the close of the previous week. Day-by-day, averages were:—August 15, 124.63; August 16, 124.36; August 17, 124.22; August 18, 124.18; August 19, 124.10.

		High	Low
1947	155.82	123.88
1948	148.68	134.05
1949	138.37	124.10

Dividends:—

The Directors of the Hongkong Realty & Trust Co., Ltd., will recommend a dividend of 10 cents per share (Free of Corporation Profit Tax) at the forthcoming annual general meeting of the Company in respect of the year ended 30th April, 1949.

Business Done:—

Banks:—H.K. Banks @ 1460, 1450.

Insurance:—Union Insurance @ 635, 630.

Docks, Wharves, Godowns, etc.:—H.K. & K. Wharves @ 110; North Point Wharves @ 5.10, 5; H.K. Docks @ 15½, 16; China Providents @ 10%; Wheellocks @ 28, 27½.

Mining:—Raubs @ 4½.

Hotels & Lands:—H.K. & S. Hotels @ 10.20; H.K. Lands @ 48, 47; S'hai Lands @ 2, 2.10, 2.

Utilities:—Hongkong Tramways @ 16, 15.80, 15.70, 15.60; China Lights (O) @ 11 10.80, 10.40, 10.30, 10.10; China Lights (N) @ 7.70, 7.40, 7.30, 7.20, 7.10; Hongkong Electrics @ 29; Telephones @ 21.

Industrials:—Cements @ 20; H.K. Ropes @ 12.

Stores:—Dairy Farm @ 34, Watsons @ 40, 40½, 39, 39½, 40; Kwong Sang Hong @ 117.

HONGKONG & SHANGHAI HOTELS, LIMITED.

Incorporated in 1866 as the Hongkong Hotel Co., Ltd. with a capital of \$200,000 divided into 2,000 shares of \$100 each. In 1923, the name was changed to the Hongkong & Shanghai Hotels, Limited, and the Authorised Capital raised in 1932, to \$15,000,000 divided into 1,500,000 shares of \$10 each, of which 1,193,967 shares, fully paid, were issued.

In 1936, Capital Losses were estimated and provided for by reduction of Capital and the writing down of Fixed Assets. The Authorised Capital was reduced from \$15,000,000 divided into 1,500,000 shares of \$10 each to \$11,250,000 divided into 1,500,000 shares of \$7.50 each. No change in the Capital since 1936 has taken place and the issued Capital, at the present time, is \$8,954,002.50 divided into 1,193,867 shares of \$7.50 each fully paid.

In addition to owning hotels in Hongkong and Shanghai, a garage and bus service were operated in the Colony, but since the Japanese surrender, the garage was sold, also the Palace Hotel in Shanghai. In 1947 the Company acquired the "Lido" and now operates three hotels and the "Lido" in Hongkong; the Astor House Hotel in Shanghai has been leased for a period.

A further activity of the Company is its investment in the majority of the shares in Hotel des Wagon-Lits, Ltd., Peiping, with an issued Capital of \$492,000 divided into 24,600 shares of \$20 each. In view of the uncertain situation in China, it is not possible to express an opinion on the value of these

shares. It is interesting to note, however, that at 30th. June, 1947, the Cash in hand at Banks, after providing for the discharge of Creditors (but before payment of a dividend of \$10 per share absorbing \$246,000) was approximately \$460,000. At the meeting of shareholders of the Hongkong & Shanghai Hotels, Ltd., held in 1949, the Chairman reminded shareholders that no dividend had been paid by the subsidiary Company since 1940, a hint that the subsidiary Company must not be regarded as a steady source of income.

The property and goodwill of the Hongkong Hotel Garage were disposed of at a profit of \$1,630,046 in 1946, and the Palace Hotel, Shanghai, at a profit of \$3,554,569 in 1947.

The Issued Capital and Reserves shown in the Balance Sheet as at the end of 1941 (drawn up in 1946) showed:

<i>Issued Capital</i>		
1,193,867 shares of \$7.50 each, fully paid		\$8,954,002.50
<i>Reserves</i>		
Land	550,000.00	
General	450,000.00	
Repairs and Renewals ..	44,569.94	
Exchange Fluctuation	27,476.63	
	1,072,046.57	
Unappropriated Profit ..	609,320.70	\$1,681,367.27

As at 31/12 1945, War Losses and Rehabilitation Expenses amounted to \$2,314,007.43, but the Chairman pointed out in 1946 this statement was incomplete owing to the difficulty of arriving at any accurate estimate. War Losses were finally estimated to be \$2,489,777.55 at 31/12 1948 and written off.

At the end of 1946, a sum of \$2,717,479 was appropriated to write off Reparation Expenses incurred during the year.

Rehabilitation Expenses during 1947 amounted to \$1,102,055 and were debited to Rehabilitation Suspense Account. This sum, together with further expenditure of \$234,170 during 1948, brought the Suspense Account up to \$1,236,225.86. As these expenses were in the nature of additional Capital Expenditure on Fixed Assets, a transfer was made to the various Assets.

At 31/12 1948 the Land was conservatively re-valued and showed a surplus of \$2,599,012. Of this sum \$2,403,331.94 was transferred to War Losses and \$195,680.06 to Capital Reserves.

War Losses at that date were finalised at	\$2,489,777.55
and written off by Transfer from Contingencies Reserves ..	86,445.61
Surplus on re-valuation of Land	2,403,331.94
	\$2,489,777.55

It will be seen that dividends were paid out of Trading profits and only a portion of profits realised by sales of Assets and non-trading sources were distributed by way of bonuses.

The Trading profits (including rent of shops and offices) of the post war years have shown a steady increase

For the 3 years preceding the Pacific War, Profits, Dividends, Bonuses and Retentions were:—

Year.	Profit.	Transfers to Gen- Special Re- serve	Carried Forward.	Dividend.	Dividend per Share.	Approximate yield on middle price between High and Low.
1938.	810,607	—	317,560	716,320	60cts.	9½%
1939.	683,558	—	335,947	596,934	50cts.	9.4%
1940.	329,863	—	317,343	298,467	25cts.	5½%

For the Post War years 1946/1948, the figures were:

Year.	Profit.	General Reserve.	Transfers to Specific Reserve.	Carried Forward.	Dividend & Bonus.	Dividend per share.	Approximate yield on middle price between High and Low.
1946. (a)	3,102,628	—	(x) 2,717,479	105,006	1,193,867	\$1.00	—
1947. (b)	5,283,359	1,050,000	—	226,749	1,193,867	\$1.00	5%
1948. (c)	2,813,300	500,000	(y) 500,000	203,098	2,387,734 (1)	\$2.00	
					1,193,867 (2)	\$1.00	5%
					596,934 (2)	\$0.50	

(a) Includes Profit on sale of H.K. Hotel Garage \$1,630,046

(b) Includes Profit on sale of Palace Hotel, Shanghai \$3,554,580

(c) Includes Profit on sale of R.B.L. 168, Less Book Value of R.B.L. 77, surrendered, \$517,813

Subsidiary Company's dividend \$234,000

(x) Reparation Expenses

(y) Special Depreciation Reserve.

(1) Bonus not liable to tax.

(2) do.

Exchange & Financial Markets

BRITISH ECONOMIC SITUATION

I. Production

Industrial production in Britain reached the record level of 133 (1946=100) in May. This is nearly 30% above the 1938 level. In the first five months of this year production has been 6½% above the first five months of 1948.

increasing importance of Hongkong as an Air Port must also tend to increase earnings of the Peninsula Hotel (centre of air transport companies in Hongkong).

Revaluation of the land as at 31/12 1948 was upon a conservative basis, too much so in the opinion of some shareholders. The Board has, however, only written up the value of this Asset by a sufficient amount to write off Capital losses.

Early in March this year the Board announced it will issue the balance of unissued shares at par in the proportion of 1 New share for every 4 shares held, and at the annual general meeting held shortly after, the Chairman explained that this new Capital is necessary to finance the Rehabilitation Programme and to meet the expense to air-condition the First Floor and Roof Garden of the Hongkong Hotel. Air-conditioning has now been installed and its success has fully justified the Board's action.

The new shares, when issued, will bring into the Company's treasury approximately \$2,800,000. Whether this sum will be sufficient to finance the installation of air-conditioning and the Rehabilitation Programme depends upon the extent of this programme. A number of smaller shareholders are against calling up capital at the present time, as they fear a further drop in the market value of the shares and hope the Board will give serious consideration to this view.

Had it been necessary to have discharged the whole of the liabilities at 31/12 1948, it would have been necessary to have raised approximately \$2,300,000. This amount would be provided by the issue of the balance of unissued shares, leaving air-conditioning installation and Rehabilitation Programme to be financed by borrowings.

Assuming the Rehabilitation Programme is not extensive, and will not substantially exceed the amount to be received from the balance of unissued shares, there appears to be no reason why the Company should not be able to continue to pay annual dividends of \$1.00 per share. On the present market price, this yields a return of 10%.

Since the re-occupation, investors have swung from over optimism in 1947, to a decidedly pessimistic view in 1949. This surprising and illogical attitude is evidenced by recent announcements of increased dividends having a depressing effect on the share market!

II. Exports

(a) *General.* The volume of exports in the first six months of 1949 averaged 151 (1938=100), against a level of 150 forecast in the "Economic Survey for 1949." In the second quarter of this year the volume of exports at 146 was lower than in the first quarter (156), but about the same as the level in the last quarter of 1948.

(b) *Exports to Canada and the U.S.A.* In the second quarter of this year exports to the U.S.A. at £10 millions were 37% down on the first quarter. Exports to Canada in the second quarter at nearly £20 millions were about the same as in the previous quarter.

(c) *Leading Exports.* The following table shows which industries provided most of Britain's exports in the first half of 1949. These 10 groups accounted for three-quarters of total U.K. exports in the period.

Britain's Ten Leading Exports

	(Total of first 6 months) 1949 £ millions (f.o.b.)
Vehicles (road, rail, sea and air)	153.7
Machinery	139.5
Cotton yarns & their manufactures	84.3
Iron & steel & their manufactures	61.4
Woolen & worsted yarns and their manufactures	52.2
Chemicals, drugs, dyes & colours	44.5
Electrical goods & apparatus	40.8
Non-ferrous metals & their manufactures ..	33.1
Pottery, glass, abrasives, cement etc.	25.1
Cutlery, hardware, instruments, etc.	23.6

III. Dollar Supplies

The following table gives examples of the extent to which the British economy is still dependent on supplies of dollar commodities for industry and transport.

Commodity	Total U.K. imports first 6 months of 1949 (£ millions c.i.f.)	Percentage from Dollar Sources
Raw cotton & cotton waste	75	34%
Non-ferrous metals & manufactures, ores and scrap ...	68	43%
Wood & timber	35	25%
Machinery	24	71%
Iron & steel manufactures	20	25%
Lubricating oil	2.9	92%
Sulphur	1.7	100%
Carbon black ..	0.9	100%

US\$ Market

Japan account US\$ was in great demand during last week with little offerings from exporters. Rates advanced far in excess of the open market TT New York and reached HK\$ 7.35 per US\$1 in Japan account (Hongkong-SCAP two-way trading account). Throughout the week this rate was about 20% higher than open market TT New York.

This position is absurd. The drop in exports to Japan and consequently reduced earnings from services (shipping, bank, insurance) are depriving local importers of exchange (Japan account US\$) and as imports from Japan are in great demand in foreign markets many Hongkong firms are anxious to buy in Japan even paying a 20% premium on the open market TT New York rate. By paying an entirely unrealistic rate for the Japan account US\$, importers' profits are reduced and Japanese commodities become more expensive until they may no longer be able to compete with similar British, American etc. manufactures.

The very high premium (almost 60% against 15% earlier this year) which now local exporters to Japan can obtain on the open market—for 40% of their proceeds in Tokyo—should spur exports; in a number of cases exporters were allowed by Government (Dept. of Supplies & Distribution) to retain a larger percentage of their proceeds for their own use or sale to importers. The earnings of Hongkong of Japan account US\$ are however only a fraction of what is required by importers and thus the rate is bid up ever higher. If Hongkong Govt. would allow the use of open market US\$ for purchase of Japanese goods the premium for Japan account would drop to the TT New York level; for reasons of trade policy Government does however not permit imports from Japan unless paid for from Japan account US\$, i.e. from earnings of Hongkong exports and services. The Japan-Hongkong trade situation should be reviewed by Government and business men with a view to increasing the flow of goods in both directions.

Open market US\$ rates of last week were largely unchanged highest and lowest prices being (per US\$ 100):—notes HK\$622-611, DD 617-608½, TT 618-610, corresponding to crossrates, at the parity of 1/3d., of US\$2.59-2.62.

Turnover totalled US\$3¼ million, in TT 1¼ m. in DD and notes 1½ m.

Flight of capital from Amoy to Hongkong was noticeable with the arrival of large parcels of US notes from that port. Overseas Chinese remittances were on good offer and mostly absorbed by gold importers. Bangkok and Manila offers were also on the increase which is to some extent a result of the high open market rates quoted here against considerably lower prices in other Far Eastern ports. Merchant demand was quiet.

Unofficial Exchange Rates

Piastres, forward market, HK\$13.10-13.22½, spot market, 13-13.07½. Nica guilders \$2.86-3.20. Baht 26½ (small denominations 25%). (Per 100 currency units).

Found note \$16.40-16.55, Australian pound \$12.80-13.20, Canadian dollar 1.84-1.85%, Indian rupee 1.17-1.20, Burmese rupee 0.72-0.83, Ceylonese rupee 0.98-1.03, Philippine peso 2.95-3.

Gold Markets

On the whole the local market ruled firm but fluctuations were much reduced compared to previous weeks. The bull syndicate has lost confidence in its large over bought position and considers recent developments in China as unfavourable for a better rate in future. There will be little buying of gold in Kwangtung once the new regime marches in and meanwhile big hoarders are transferring their bars to Hongkong for safekeeping in the Colony. This trend should accelerate if the People's forces approach Canton. Local speculators are holding off, preferring to remain idle during this period of uncertainty. Overseas prices are stable but considerably below the current Hongkong, Macao and Canton market rates; local cross rates are still as high as US\$50 while quotations from European bullion dealers are about 10% lower.

Highest and lowest prices of last week were for .945 fine gold \$362.00-346.75, per Hongping tael, corresponding to equivalent rates of \$379.50-364.25 for .99 fine gold. Cross rates were US\$51, high, US\$49½, low.

Trading Reports of last week:—

Monday, August 15:—Opening and closing rates \$352-352. On the fictitious forward market the change over favoured sellers at the interest rate of 19 cents per tael of .945 fine per day. Throughout the week, the change over rates remained in favour of sellers. As prices were nearing the cost of imports and exports to S.E. Asia ports were profitable, rates stood steady although stocks were large.

Tuesday Aug. 16:—Opening and closing \$351.50—354.50. Change over 40 cents. With war nearer to Canton and higher prices in Europe, rates continued firm.

Wednesday, Aug. 17:—Opening and closing \$357—356.75. Change over 53 cents. Rates advanced to 362, highest of the week on rumours of sterling devaluation but the high change over interest caused speculators to unload.

Thursday, Aug. 18:—Opening and closing \$358.50—350.50. Change over 54 cents. Continued high change over interest and heavy inflow of gold from Canton turned the market unsteady.

HONGKONG OPEN MARKET RATES

per US\$100

August	Notes		Drafts		T.T.	
	High	Low	High	Low	High	Low
15	6.17½	6.11	6.12½	6.10	6.14	6.12½
16	6.18	6.12½	6.13¼	6.12½	6.14½	6.13½
17	6.23	6.15¾	6.17	6.13	6.18	6.15
18	6.19	6.13	6.13	6.10	6.14	6.11
19	6.20	6.12½	6.11½	6.08½	6.12½	6.10
20	6.22	6.14½	6.14	6.10½	6.15	6.12

AGREED MERCHANT RATES OF H.K. EXCHANGE BANKS ASSOCIATION

	Maximum Selling	Minimum Buying
<i>Sterling</i>	1/2 13/16	1/2 29/32 T.T. 1/2 15/16 O.D. 1/2 31/32 30 d/s 1/3 60—90 d/s 1/3 1/32 120 d/s
<i>Sterling (East & South Africa)</i>	1/2 13/16	1/3 O.D. if under L/Credit 1/3 1/16 O.D. without L/Credit 1/32nd up every 30 d/s
<i>Sterling (West Africa & West Indies)</i>	1/2 13/16	1/3 3/16 O.D. if under L/Credit 1/3 1/4 O.D. without L/Credit 1/32nd up every 30 d/s
<i>Rupees (India)</i>	82 1/4	83 1/4 T.T. 83 1/2 O.D. 83 5/8 7 & 30 d/s 83 3/4 60 d/s 83 7/8 90 d/s
<i>Rupees (Rangoon)</i>	82 1/4	All buying rates 3/16th higher than India.
<i>Rupees (Aden)</i>	82 1/4	83 7/8 O.D. if under L/Credit 84 O.D. without L/Credit 84 1/2 30 d/s & 60 d/s
<i>Malayan dollar</i>	53 1/16	53 11/16 T.T. & O.D. 53 13/16 30 and 60 d/s
<i>U. S. \$ and Canadian \$</i>	24 3/4	25 1/16 T.T. 25 1/8 O.D.—30 d/s 25 3/16 60—90 d/s
<i>Australia</i>	1/6 3/8	1/6 13/16 T.T. 1/6 7/8 O/d
<i>New Zealand</i>	1/2 13/16	1/3 1/16 T.T. 1/3 1/8 O.D.

N.B.:—No penalty to be exacted for forward sales for sterling except for sale on Australia which should be governed by the rates quoted by Australian Correspondent Banks.

Friday, Aug. 19:—Opening and closing \$349.50—353. Change over 30 cents. Heavy unloading pulled the rate down to 346.75, lowest of the week recorded, but continued higher prices in Europe and low change over interest stimulated the market which turned steady.

Saturday, Aug. 20:—Opening and closing \$357—353. Change over 16 cents. News of the approaching meeting of the American, British and Canadian finance ministers in Washington had not much affect; market remained quiet. In the unofficial afternoon market, business was transacted at 352-351.50.

Trading, Positions, and Cash bars:—

During the week under review, official tradings were below 124,000 taels, and unofficial tradings were about 500

taels only, daily average to be about 21,500 taels. Positions left open reported to be at an average of about 98,500 taels per day, in which interest hedging forward operators, gold importers and Canton operators continued on the oversold side, Shanghai and Swatow operators were overbought, local operators were idle.

Cash bars turned over officially 14,520 taels, unofficially about 7,000 taels, totalling 21,520 taels.

Imports, Exports, Stocks and Consumption:—

Imports from Macao about 12,000 taels, from Canton 9,000 taels, totalling over 21,000 taels. 9,500 taels were exported, with details: Bangkok 4,000 taels, Singapore 3,000, Saigon and Haiphong 1,000 taels each, these were all in .99 fine bars.

Ready delivery stocks, including those mortgaged to the banks, estimated at over 290,000 taels. About 10,000 taels changed hands by interest hedging forward operators, and only 1,500 taels were melted for ornamental purposes.

Silver Market

During the week under review, the highest and lowest prices of Bar silver were \$4.40-4.30 per tael, Hongkong and other Dollar coins \$3.30-3.30 per coin.

Chinese Dollar coins \$3.75-3.65 per coin, and Twenty-cent coins \$2.95-2.85 per five coins.

Prices were practically unchanged during the week owing to the stabilization purchases by the Central Bank of China in Canton who for redemption of silver certificates sold gold for Hongkong currency, using the proceeds to buy certificates. Local business was small and followed the fluctuations of Canton closely. Sales were estimated at 110,000 taels in weight.

Imports and exports were about balanced, a total of 160,000 taels in weight. For the moment, prices here are about 3 to 5 per cent higher than in Canton which was due to Hongkong being a safer place for hoarding.

More silver hoards are currently being transferred from Canton to Hongkong. The extension of the civil war to the south is causing this movement to spread to other cities in South China which are looking forward to 'liberation.' Not only are Hongkong's godowns and residential quarters overcrowded but safe deposit boxes in banks and private houses are filled to overflowing. Local silver stocks of private hoarders have much increased during recent weeks; further arrival of silver from Kwangtung should bring the local price down to a level with overseas prices and, possibly, below it in case exports to the UK or US are contemplated.

Silver Imports and Exports

Officially recorded imports and exports of silver during June 1949: imports: 1,880,000 ozs troy valued at \$7,996,809; exports: 1,463,158 ozs valued at \$5,032,017.

Imports came from the United Kingdom and from other British Empire countries as follows: 200,000 ozs in bars from the U.K. valued at \$882,859; 1,200,000 ozs in coins from the U.K. valued at \$5,497,250, and 480,000 ozs in coins from other British Empire countries valued at \$1,616,700.

Exports were consigned to China and Macao as follows: 100,000 ozs in bars valued at \$404,480 to North China, 5,520 ozs in bars valued at \$21,321 to Macao; 167,446 ozs in coins at \$715,416 to North China, 80,000 ozs in coins at \$320,000 to Middle China and 1,110,192 ozs in coins at \$3,570,800 to South China.

The imports were all shipped here for account of the Chinese authorities (Canton government) and were shipped out or airlifted by Chinese chartered aircraft to the offices of the Central Bank of China.

Chinese Currency Markets

Gold and US\$ Exchange with Shanghai:—

While PB\$ exchange is transacted only in small amounts for personal expenditures and through official T.T. channels, business in gold and US\$ transfers with Shanghai increased in volume during last week. Highest and lowest rates quoted were:—Gold 970-935 for 1000 in Shanghai, US\$ 890-860 for 1000 in Shanghai. Business done during the week totalled about 3,000 taels of gold and US\$ 60,000. The reason for the high gold and lower US\$

Trade carries on.

Civil wars in China have never yet succeeded in creating a complete stoppage of trade between the two opposing parties. Hindrances and difficulties are, as might be expected, more numerous and more tedious during a time of unrest or possibly a total disruption of established and internationally recognised trade routes may result, but some movement of trade cannot be entirely prevented.

The Chinese people are particularly able to overcome difficulties of this sort. They are first and foremost traders and have sometimes been referred to as sharing this characteristic with the British whom they however outshine in ingenuity and in meeting the exigencies of the moment. If one route for the transport of goods is closed, another door is quickly pushed ajar. If the sea or the railroad are not possible there still remain the country creeks, the wheelbarrow and men's backs so that though perhaps in small quantities commodities still reach their destinations.

Little comment is made and little said but a great deal can be gleaned from the fact that though today the Communists now hold the better part of China, that, though their armies are taking more and more territory under their aegis, merchants living in Nationalist China are still carrying on trade through and behind their lines. Hankow is an example in point. It has for some considerable time become a

COMMERCIAL MARKETS

large centre for this coming and going. In fact ever since it fell into Communist hands Chinese traders have not ceased to carry on business with either side and their comings and goings have apparently met with no opposition that could not be surmounted. Goods from Hankow where the People's Bank money is used get to Changsha, into the region of silver dollars. From there the stuff is moved to Canton and other destinations.

This is only one of the many routes over which commodities move towards factories and hongs where they are most needed and though handicapped, the Chinese trader is nevertheless succeeding to some extent in finding a way to dispose of his goods or at least a percentage of them. A similar situation such as now exists in China might elsewhere be considered impossible or even condemned as disloyal to at least one party, but to the Chinese merchant, manufacturer and shipper trade is not regarded in any such altruistic light. The merchant feels that he is outside and apart from politics and wars. He looks at the question realistically. He knows that he survives only so long as his trade continues and this point of view, ousting all other considerations, is the one and only acceptable point from which he can act. This attitude has, when all is said and done, a very calming effect on communities and what is still more important maintains the livelihood of many thousands in all walks of life who would without this enterprising section of the community, suffer keenly.

rates is found in the fact that the People's Government permits the possession of gold but prohibits possession of foreign currency, thus the public was induced to convert US\$ holdings into gold bullion.

Exchange with Canton:—

Transactions were all in Hongkong currency, rates being 995-1000 in Hongkong for 1000 in Canton. Flight of capital continued to increase. Prices of gold in Canton were always 3 to 4 per cent lower than Hongkong. Volume of business also increased to a total of about HK\$3,500,000. Many native banks in Canton were shipping gold to Hongkong for disposal and bought HK\$ for profit hedging.

Exchange with Swatow:—

Rates quoted and transacted were 1005 to 1010 in Hongkong for 1000 in Swatow, and were all in Hongkong currency. Total business done amounted to about HK\$900,000. All business was in overseas Chinese remittances.

Exchange with Amoy:—

After the fall of Foochow into the hands of the People's army, the position of Amoy was threatened, and flight of

capital began. Business was largely done in US\$, being quoted from 1000 to 975 in Hongkong for 1000 in Amoy. Some transfers also in Hongkong currency, which quoted at about par. Total business done during the week was about US\$225,000.

Silver Certificates in Canton:—

During most of the week, these certificates maintained their value at about par with the hard coins, but at one time on Saturday, when the rumour of the removal of the Central Bank of China in Canton circulated, rates were quoted about 10 per cent lower. But this was short lived and rates recovered immediately. Total circulation said to be about 3,250,000.

The mint in Canton continued to produce "sailing boat" silver coins, and mint output rose from 20,000 to 50,000 pieces daily. The mint in Chungking began to produce also, and coins some 35,000 pieces daily.

In the Province of Sinkiang, hard gold will be used as currency beginning September 1st. Official rate is fixed at 100 silver dollars to one tael of gold.

China Carpet Wool

Since the days of Genghis Khan, first Emperor of China's Yuan Dynasty, wool has been one of the main articles of commerce in that vast country. Wool producers of China are small operators and live in the mountain regions far from trading centers. Therefore, in many instances they sell their wool clip to travelling dealers who ordinarily pay for the wool in goods such as tea, cloth, and sugar.

Production of carpet wool in China during 1932-37 averaged 90,000,000 to 100,000,000 pounds annually—only to decline to 75,000,000 in 1948. Sing-chiang, Tsinghai, Mongolia, and Kansu accounted for more than 60 percent of production during 1932-37. Until the trade routes from China were closed by the Japanese in 1937, China was the chief source of U.S. imports of carpet wool; after that year it became comparatively unimportant. United States imports from China decreased from 27,564,000 pounds in 1937 to 2,152,000 in 1938, and 296,000 in 1943. However, they increased to 8,201,000 pounds in 1946 and 17,107,000 in 1948. Thus, despite the disturbed internal conditions, U.S. imports from China in the postwar years 1946-48 have been recovering slowly from the setback suffered in 1937. Imports from China in the first quarter of 1949 amounted to 4,070,000 pounds, or 8.6 percent of total U.S. imports of carpet wool for the period.

Great ingenuity has been exercised in moving wool to ports. Devious water routes have been used, and there have been reports that wool has been moved from Inner Mongolia to South China by air.

Late in March of this year it was estimated that about 10,000 bales of native wool were in Tientsin. All of this wool is held by a Communist-regime trading company, which apparently has bought up most of the wool previously in private hands. In the past few years, also, it was collected

as taxes. Much wool is believed to be in storage in this part of China. For the time being, trade in wool is in large part a monopoly of the now-dominant regime.

Exporters in Tientsin, the chief port for the export of China wools, have found it increasingly difficult to compete with the official trading company. Apparently that agency can pay higher prices due to presumably unlimited amounts of paper currency at its disposal. Exporters complain of the uncertainty of obtaining export permits when dealing directly with producers rather than when purchasing from the governmental company.

Taiwan-US Trade

Mr. Huang Wen-shan, Economic Counselor of the Taiwan (Formosa) Provincial government, is visiting the United States on a two-fold mission: (1) To survey the United States as a market for Taiwan products, and (2) to investigate the possibility of eventually establishing a Taiwan trade-promotion office in either New York or San Francisco. It is planned that such an office would, in addition to furthering the sale and distribution of Taiwan's goods in the United States, function as a purchase mission for the import of American merchandise into Taiwan, to be obtained either on a barter basis or paid for with foreign exchange derived from the export of Taiwan goods.

Taiwan's exportable commodities are tea, camphor, minerals, pineapples, tropical woods, bamboo shoots, and other island products. Goods needed by Taiwan include soybeans, salt, fertilizers, industrial products, and agricultural machinery. Mr. Huang, who is the personal representative of Governor Chen Cheng, is undertaking this mission on behalf of the Taiwan Commission for Coordination of Supplies.

Sugar Supplies from Formosa.

Repercussions from the recent dock strike in Great Britain were felt in Hongkong when it was found that the anticipated shipment of refined sugar from London could not be made at the date. Fortunately the local Department of Supplies & Distribution was able to secure a quantity of sugar from the refineries in Formosa, 1400 tons of which is now on its way to the Colony with more to follow, so that no shortage should be felt.

Communist Import & Export Registrations.

According to a report by the US Consulate-General's Dept. of Commerce in Shanghai, by August 3 the Communist East China Foreign Trade Bureau had approved of 511 firms as importers and 667 as exporters out of applications received from 1690 importers and 1333 exporters; the percentage of foreign firms approved was unknown. Imports applied for before the withdrawal of the Nationalists but which have not yet been received by individual industrial factories will be approved against self-provided foreign exchange.

Trade with the Philippines.

Restrictions imposed by the government of the Philippine Republic have greatly affected trade between them and Hongkong, although on the whole the restrictions apply only to luxury items and non-essential commodities. The following clarification is issued in response to a request from merchants: under the heading of luxuries, games and amusements are included but not athletic equipment; under beverages, beer is included. Miscellaneous items prohibited include cigarettes, chewing tobacco, matches, candles, irons, mechanical pencils, fountain pens, desk writing sets, and other items considered non-essential; barber's chairs and theatre seats are exempt. Under the category for vegetables are included vegetables themselves, vegetable soup, and canned vegetables; fresh fruits are also restricted; vegetables in candy form, pickled or as condiments are not controlled.

Imports of textiles are almost completely restricted, and under this item are all kinds of fabrics, all inner and outer ready-made wearing apparel for men, women and children, with belts, hats, socks, stockings and similar items; manufactured ribbons, trimmings, labels and handkerchiefs are also restricted. Used clothing and rummage under 60 centavos per lb. or per piece in value c.i.f. the Philippines are exempt. Household articles made of cotton are not controlled, such as carpets, embroideries, handkerchiefs, and umbrellas. Import of cotton lace is prohibited, cotton yarn may be imported under licence.

Under metals, precious metals are controlled, but necessities are exempt such as eyeglass frames. Toys under certain categories are not included, such as airplane model construction sets, baby carriages and childrens' vehicles. Household articles are not controlled if made of cotton, i.e., carpets, embroideries, handkerchiefs and umbrellas. All hospital and medical equipment is exempt.

As the restricted commodities cover most of the exports from Hongkong to the Philippines, clarification should be obtained from the Philippine consulate before entering upon any future transactions.

HONGKONG COMMODITY MARKETS.

Cotton Piece Goods and Yarn

It was a refreshing change after the previous depression to be able to record some activity during the past week, although prices could not show much change with the large stocks on hand. Grey sheetings, Mammoth Bird rose to \$44.20 and \$45 per piece, Double Lamp sold at \$41.50 and \$41.80; white cloth, Hsin Liang Yu fetched \$44. Parachute rose to \$45.50, Camellia sold at \$43.50; black cloth, Yu Tai fetched \$44, Nan-chang sold at \$52 per piece.

Cotton yarn was also active, with exporters in the market filling requirements abroad: Blue Phoenix 20's start-

ed at \$1180 per bale and closed at \$1200 and 42's showed a rise by \$20 per bale to \$1980; Double Lion 10's fetched \$860 per bale, Golden City 20's sold at \$1250.

Woolen Knitting Yarns

The existing state of uncertainty in Canton has caused a slackening in the demand for woollen yarn, and until the situation is stabilised in South China it is feared that future prospects will not be bright. Further arrivals of 100,000 lbs. have added to the accumulating stocks in Hongkong. Bee Hive brand 4-ply which had risen to \$18.50 per lb., fell to \$17, Cuckoo brand was offered at \$14.80, other brands remained steady.

Raw Cotton

Local raw cotton merchants are now relying almost entirely upon Pakistan for supplies of this product, as allocations of exchange are not given for importations from the United States or Brazil. The Brazilian product works out cheaper than raw cotton from the U.S. or Pakistan, and it is hoped the latter will find some way of reducing their prices on the new allocations. On a recent indent for raw cotton from Brazil suitable for 20's yarn, which was booked at 22d. per lb. cif Hongkong, the value on arrival worked out at HK\$1.4684, whereas the US cotton worked out at between HK\$1.78/\$1.80 per lb.; old crop Pakistan cotton LSS was recently reduced from \$1.75 to \$1.70 per lb. and NT was brought down from \$2 to \$1.97, but without finding buyers, even at these lower prices, as the quality was not considered good enough, and stocks on hand of Pakistan 4F, LSS and NT averaged 13,000 bales with another estimated 13,000 bales arriving shortly. Rangoon raw cotton, with 3,000 bales on hand, also fell in price from \$1.40 to \$1.35 per lb., but also without sales. Buyers are shy of adding too greatly to existing stocks as the situation in North China is still far from clear, though hopes of better things to come are raised by the news that the "closure" of communist-held ports by the Nationalists has been broken with the capture of some key-islands off the coast, which formed a base for naval operations. Formosa, however, still remains as a base for the Nationalists. Total stocks of raw cotton of every description held in Hongkong are estimated at 100,000 bales.

Metals

There was considerable competition during the week between Japanese and British galvanised mild steel sheets, thin, and the market was active meeting demands from Tientsin: G30 3'x7' fell from \$7.50 to \$7.30 per piece, the Belgian galvd. sheets at \$8.20 being disregarded; British 3'x6' which started at \$6.70 improved to \$7.10 per piece, stocks being low. The market in corrugated square steel bars was active; prices remained firm but supplies were short; ½" was offered at \$35 per picul, ¾" to 1" rose to \$34. Zinc sheets were

going through a period of depression on the local market, with no immediate prospect of improvement; local factories were understood to have indented for their supplies direct from abroad, and exports had fallen: Japanese G5 fell to \$105 per picul and G6 sold at \$96; Polish G5 offered at \$115 and G6 at \$100, but even with this difference in price buyers were not interested in the cheaper Japanese zinc sheets. Demands from Tientsin and South Korea for British steel wire ropes brought an improvement in price: 1" rose to \$1.90 per lb., 1½" to \$1.60, 1½" fetched \$1.35, 2" rose to \$1.40, 2¼" to \$1.10 and 2½" to \$1. Brass springs of British make were active, 4" selling at \$18 per gross, 6" at \$22, 7" at \$30 and 8" at \$34. Tientsin buyers were in at \$18 per gross, 6" at \$22, 7" at \$30 and 8" at \$34. There was considerable activity in barbed wire, the bulk of the purchases being required for China; stocks being low, both the French and Japanese products sold at the same price: ½-cwt. packing improved from \$24 to \$30 per bundle, 1-cwt. packing touched \$60. Fresh arrivals of British galvanised pipes were reported, but little interest was shown: ½" stood at 70 cents per foot, ¾" fell to 80 cents, 1" fell to \$1.10, 1½" rose to \$1.70, and 2" dropped to \$2.10. Black pipes were also dull, ½" falling to 60 cents, ¾" to 75 cents and 1" being offered to 95 cents. Cross-saws, French, with reduced stocks rose in price from \$120 to \$150 per dozen for 5', while 4½' improved to \$120 per dozen; good sales are anticipated. Tientsin buyers were in the market for red steam fibre jointing (British): No. 201 brand 5/32" was offered at \$1.45 per lb., falling later with the arrival of fresh supplies to \$1.30, ½" sold at \$1.40 and fell to \$1.30, forward bookings were made at \$1.20; the cost price was \$1 cif Hongkong. Buyers from Canton were actively in the market for emery paper: eagle brand G1/G2 was sold at 80 cent per dozen, a reduction of 10 cents, bell brand G1 fetched \$1.25 per dozen and G2 at \$1.30. British tinsplate was urgently in demand for despatch into Central China, but sellers held out for better prices, showing no great anxiety to sell: 20x28 in. 200 lbs. packing in skids was offered at \$120 per cask and \$119 ex-godown, but buyers counter-offered at \$117, sales were finally effected at \$118 and ex-godown at \$117; USA 20x28 in. 180-lb. packing was offered at \$130 per cask, the high TT dollar exchange rate on the open market making a reduction out of the question.

Glass

Purchases of glass from Japan are greatly affected by the high TT dollar rate on the open market, which has deprived the Japanese produce of its main asset, cheapness. South Korean buyers were active and purchases of Japanese 100 sq. ft. 16 oz. were made at \$21/\$24 per case, while 18 oz. improved to \$25; French glass 100 ft. 16/18 oz. fetched \$25.50 per case, 200 ft. 16 oz. rose to \$41, forward sales were at \$38.50; Belgian glass 200 ft. 18 oz. was offered at \$46 per case, but without sales.

Cement

Although allocations of official exchange are not being made to merchants for the purpose of purchasing cement from Japan, this commodity can be freely purchased with any balance of exchange from a previous allocation or with exchange purchased on the open market. Imports of Japanese cement, however, are likely to be very much curtailed in the future, as cheapness is its main asset and this is offset by the high rate of exchange for the US dollar on the open market. Stocks at present in hand, together with the Green Island Cement Company's monthly output of 5/5500 tons, are sufficient to meet all local requirements for a considerable period.

Japanese 100-lb. bags sold for \$5.45 per bag for spot, bell brand fetched \$5.50 per bag for spot and \$116 per ton ex-godown; Indo-China red & black dragon stood at \$5.80 per bag ex-ship and \$115 per ton ex-godown; Danish Bates brand in 1-cwt. bags remained at \$15 per bag and \$13.50 for forward delivery. British Green Island cement in 94-lb. bags stood at the official price of \$5.60 per bag, emerald brand in 112-lb. bags was at the usual price of \$6.50 per bag, emeralcrete rapid hardening cement in 112-lb. bags was at \$7.50 per bag, British white cement "snowcrete" in drums of 375 lbs. nett stood at \$55 per drum. British "snowcem" cement paint in steel drums of 112 lbs. nett stood at \$58 per drum ex-godown.

Dyestuffs

The market in dyestuffs, which has been dull for some time, showed a revival during the week: Acid scarlet (USA) M00 fetched \$1,050 per picul, a drop of \$100 per picul, direct blue 300% (USA) 140 sold for \$570, a fall of \$15 per picul; direct green 239 (USA) fetched \$640, a fall of \$40; methylene yellow powder fetched \$500, a drop of \$50; Dupont's ponsol blue RSV 25-catty packing rose in price to \$9,000, an increase of \$50; sulphur black R concn. 693 (Nacco) sold at \$258, an improvement of \$5 per picul, Sodyeco sulphur black R 200% was offered at \$217 per picul, sulphur direct blue R1 200% was offered at \$735; French auramine N 150% was on offer at \$1,200 per picul, French fast neutral blue 5R 200% was offered at \$850.

Gunny Bags

The bottom has dropped out of the market for gunny bags and sellers are found trying to sell while buyers turn a deaf ear to their beguilements. Unless and until the South African situation is clarified in regard to gunny bags, there is not likely to be very much in the way of a revival. Also, new arrivals of from 3/4000 bales are expected and there may be some difficulty in disposing of them unless North China comes into the market again. At the end of the week, heavy cees 29x43x2½ lbs. 2" green (new) were offered at \$3.30 for spot with a very small turnover.

Vegetable Oils and China Produce.

At the beginning of the week, the realization that supplies of woodoil (tungoil) would be difficult to obtain from Hunan for awhile with the disruption caused through the advance of the Communist armies, caused prices to rise. Later, about 200 tons or 1000 drums arrived from Shanghai, which was understood to be cargo taken over from the Nationalists by the Communist authorities. Trading in woodoil opened at \$150 per picul with export permit and \$149 without permit, and closed at \$161 with permit and \$158 without; old stock was offered at \$180 with permit, but counteroffers were at \$157. Teased oil 5% acid had an active market, and prices rose upon information that fresh supplies from Formosa would not be available until the late autumn: opening at \$162 per picul, teased oil rose to \$178, and upon learning that the price in Canton had improved to \$159 per picul, the price in Hongkong, with the addition of shipping charges, was increased to \$190 and \$195 per picul. Rapeseed oil showed little activity, although short of supplies: starting at \$117 with export permit and \$115 without permit, the market closed at \$125 per picul with permit and \$123 without permit, buyers not being interested.

Cassia lignea was active with purchases by Indian buyers: Shek-on unscrapped short cassia lignea sold at \$212 per picul, Wui-on unscrapped fetched \$185, Tung-hing, Kwangtung, sold at \$83 for cassia and at \$75 for cassia whole, West River, Kwangtung, cassia lignea 60 catties fetched \$59 per picul and 84 catties packing was offered at \$57/\$58 but did not interest buyers as the packing specification was unsuitable. Cassia buds sold at \$73 per picul, being required for filling export contracts.

Silk Waste

The silk waste season having started the better quality was in demand for export to Europe, the poorer quality being required by buyers from Japan: the best Korean No. 1 quality sold at \$430 per picul and No. 2 quality at \$370 to \$380 per picul, both qualities being destined for Europe; further shipments expected from Korea were offered forward at \$360 per picul. Chungking silk waste best quality sold at \$350/\$360 per picul, second quality fetched \$220/\$230, Canton first quality fetched \$250 and second quality \$200 per picul.

Duck Feathers.

The market in duck feathers was dull, no transactions taking place on the prices offered from New York which came to US 43 cents per lb. improving later to 45.6 cents whereas local traders stood firm for 50 cents; the price on the local market was \$360 per picul rising later to \$380, and at US 45.6 cents per lb. the equivalent in Hongkong per picul would be \$330. Siam second quality duck feathers were offered at \$218 per picul improving to \$230; Hai-hau second quality sold at \$205. An order had been placed with Shanghai for August delivery, but shipment had not yet been effected.

Ores

With a falling off in orders from the United States and Great Britain, prices of wolfram ore (tungsten) continued to drop on the local market. The best American offer came to US\$12.50 per degree for the standard quality of 65 degrees, a drop of \$6.50 compared with the offer of US\$19 three months ago, and sellers were disinclined to sell at this price. Standard 65 degrees China wolfram was offered on the local market at \$260 per picul but fell to \$255 with counteroffers at \$250; without permit was offered at \$240.

Beans and Groundnuts

Extensive purchases of Dairen soya beans for shipment to Japan led to activity on the market; 18,550 bags were disposed of at \$39.10 per picul and to fill requirements 2,500 bags of Kouchow soya beans were sold at \$37 picul. North China red beans improved slightly in price with good sales at \$33.50 per picul, Tientsin red beans sold at \$45, and North River, Kwangtung, jack beans fetched \$170 per picul.

Groundnuts (shelled) from Siam met a weak market, and sold for \$69 per picul. Starch from Siam fetched \$25 and \$26 per picul.

Industrial Chemicals.

There was some slight increase in business activity during most of last week. The turnover has improved, by and large. The price situation has however remained unchanged. Replenishment of stocks is underway and far exceeds the present rate of re-exports. The transport position with North China has improved; more ships for Tientsin leave but regular communications remain to be reestablished. With Shanghai hardly any traffic is possible at the moment although some cargo moves via Canton and Amoy. Taiwan is a small customer but nevertheless its business is very important to Hongkong's merchants. Generally, merchants take now a less pessimistic view of getting cargo into China, hoping for easier communications as soon as the military situation in South China clears up (a euphemism for saying until the 'reds' take over).

Potassium ferrocyanide. This chemical is generally used by the steel industry, sometimes also in photography. In 1947 it was once up to \$6.00 per lb due to heavy demand from North China, actual consumers probably being in Manchuria. However, from the end of 1947 up to this moment the market has been entirely spoiled as heavy stocks have not yet been digested. The price for the past two years ruled always weak. Its indent price at present is about US\$2.3 per lb, approx. HK\$1.43. The price of spot goods of 390 lb fibre drums USA origin is \$1.00 per lb whilst that in gunny bags can be obtained at 85cts. Recently some inquiries came in from Taiwan. It is expected there will be more demand in the near future.

Caustic soda solid. 700 lb drums USA origin sold from \$155 to \$156 for several hundreds of drums. Crescent brand 672 lb drums sold \$180. Prospect of business is better but the price cannot be advanced if further demand shows no change.

Diatomaceous earth. This earth is produced naturally. Its chief uses are for making dynamite and for filtering purpose. A big order may be placed by Taiwan buyers if spot goods are available.

Sodium cyanide. Although some dealers asked a price of 90 cents per lb for the English origin 50 kg drums, yet business was recorded at \$1.00 to \$1.04 for some lots.

Talc powder. India origin No. 1 quality 100 kg gunny bags was about \$370 per metric ton. Indian product has been recognised as the A1 quality amongst the other talc powders. A shipment recently arrived from India.

Stearic acid. Prior to fresh arrivals the market declined but some small odd lots of Argentine origin single pressed in canvas bags was sold \$1.05 per lb. Australian cargo of single pressed is expected here in early September.

Phenol. Market is at standstill. Australia origin 448 lb drums sold around 91cts. to 92cts. per lb, and 475 lb drums USA origin at 92cts.

Bronze powder. Rich gold grade 20x5 lb packets per case Japan origin sold up to \$2.85 per lb. As mid-autumn festival is coming the printing of moon cake labels requires this powder for decoration.

Mercury. Market went up to \$700 per picul for Italy origin 76 lb iron bottles. Future market is downward. From Japan offers are made in US dollars, from Europe in Pound Sterling. If the present price does not drop much importers from Europe could realise large profits.

Sodium nitrate. 2 cwt bags sold \$30 per picul. Ten tons of business was recorded. The market has been quiet for many weeks so that this business may be deemed remarkable.

Red amorphous phosphorous. The Canada origin 110 lb case sold \$280 per case. Japan origin 110 lb cases from \$210 to \$215 per case. This important match raw material is mostly required by Macau and North China.

Zinc oxide. Japan origin 50 kg wooden barrels sold from 73cts. to 74cts. per lb. As stock decreases and Korea demands continue the price should improve once again.

Bleaching powder 35%. Red heart 50 kg drums sold \$29 per drum. The ICI selling price is \$28. Business is small.

Bleaching powder 70%. 130 lb drums USA origin continued to sell at \$1.60 per lb. Business is small.

DPG. England Monsanto 150 lb metal drums sold \$2.05 per lb, that of 165 lb drums at the same price. Rather big business resulted. In 1947 this rubber accelerator was sold much ahead of the MBT but in 1948 MBT took its place.

Sodium silicate. ICI Pyramid brand 750 lb drums was sold \$145 per drum at the beginning of last week, but at end it was about \$138 as new shipment arrived. Crescent brand 750 lb drums also at \$141 and cheaper later.

Barium sulphate. The precipitate grade is about 55cts. per lb. It is used chiefly in paper sizing as fillers. But the natural grade, coarse and of dirty colour, is much cheaper.

Shellac. No business was recorded but sellers agree to yield to buyers. No. 2 quality India origin 164 lb cases was asked \$350 per picul.

Potassium nitrate. Calcutta origin powder form 2 cwt bags sold small lot at \$62 per picul.

Soda ash. France origin light grade 100 kg burlap bags sold \$33 per bag. As the hot weather season gradually passes the local consumption for making washing soda decreases. If no export demands the market will not improve.

Sodium bicarbonate. Crescent brand 100 kg burlap bags sold \$37 per ag. It is one dollar below the ICI scheduled price. The reason for this is that the godown warrant holders wish to sell the goods stored in ICI godowns before the date due for taking out the goods

rather than pay higher storage fees. The USA origin 100 lb burlap bags paper lined inside was sold at \$21.80 per bag. All of them were done at a loss.

Ammonium bicarbonate. Price is upward. Poland origin 50 kg drums from \$37 to \$38 per drum. Moderate business was established.

Glacial acetic acid. Dutch origin 45 lb carboy sold from 93cts. to \$1.00 per lb. Market firm. S.S. Flying Clipper and S.S. Molenkerk are carrying rather big shipments for Hongkong.

Calcium carbide. As Korean buyers seek spot goods but practically all is sold out the price went to \$60 per cwt. As compared with the price of several months ago it advanced over 70%. As this is an extra hazardous cargo storage space is very difficult to obtain and due to expensive storage fees many importers show little interest in this chemical. This is also an important reason for the recent price advance. Some dealers cabled to Taiwan for offers where some factories produced this chemical. If shipment can be made promptly from there the market here will decline.

Nitric acid. USA origin 57 lb carboy sold for hundred carboys at 70cts. per lb.

Rosin. H grade is about \$80 per picul, WW grade about \$85.

Acetic anhydride. Market active. Price from easy to firm. The lowest sold \$1.11, the highest \$1.20 per lb.

Various packings have been sold out but buyers always prefer the 480 lb drums.

Borax. Market weak. 100 lb paper bags USA origin granular form sold small lot at \$21.50 per bag.

Sodium sulphide solid. Business resulted for scores of tons. USA or English origin about 700 lb drums sold from \$640 to \$650 per long ton.

Glycerine. Dutch origin 250 kg drums CP brand sold \$1.90 per lb for scores of drums.

Ammonium chloride. Stock gradually decreases but the price cannot advance as yet. 1.5 cwt bags English origin sold \$590 per long ton as before.

Extract of quebracho. Small business was recorded for Crown brand 105 lb bags at \$80 per bag.

Extract of mimosa. Market dull. As new shipment will arrive next week, the market is expected to be down to \$55 per bag.

Potassium bichromate. Market dull. Local make crystal form is about 95cts. per lb.

Phenol formaldehyde. Black colour in 330 lb drums sold \$1.40 per lb

Polysterine. It is used for making plastic articles. A large quantity was shipped to Siam. It is sold about \$3.30 per lb.

Vaseline. 375 lb drums snow white 44cts, and 400 lb drums light amber at 30cts. lb.

Hongkong Aviation Returns

For the First seven months of 1949

	CIVIL AIRCRAFT		PASSENGERS		MAIL (kilograms)		FREIGHT (kilograms)	
	arrivals	departures	in	out	in	out	in	out
Monthly Averages for 1948	595.33	—	9,591.75	9,381.66	13,726¼	13,649¼	42,920.08	100,985.58
1949								
January	805	799	9,940	11,913	17,315	14,713	41,947	90,791
February	745	741	10,651	10,146	13,750	12,906	43,749	83,829
March	833	836	8,998	11,022	16,490	15,258	46,144	123,988
April	979	967	13,996	14,031	14,031	14,797	68,592	153,036
May	1,476	1,457	21,380	19,193	13,062	13,734	53,123	157,403
June	1,463	1,467	17,062	18,630	15,028	12,536	593,728	227,833
July	1,456	1,440	16,412	17,365	13,311	13,259	397,758	407,866
First seven months	7,757	7,707	98,439	102,301	103,109	97,203	1,245,041	1,244,746

Total number of aircraft arriving at and leaving from Hongkong during January to July 1949 was 15,464; total number of passengers: 200,740; total weight of mail: 200,312 kgs; total freight: 2,490 metric tons.

Hongkong Air Transport for July, 1949.

Arrivals

Departures

Countries	Passengers	Mail	Freight	Countries	Passengers	Mail	Freight
United Kingdom via Bangkok & Ports	105	3,433	5,693	United Kingdom via Bangkok & Ports	191	2,317	3,694
Europe via Bangkok & Ports ..	17	226	3,496	Europe via Bangkok & Ports ..	125	417	695
Middle East via Bangkok & Ports ..	—	—	—	Middle East via Bangkok & Ports ..	—	—	—
Calcutta via Bangkok & Ports ..	63	229	4,737	Calcutta via Bangkok & Ports ..	54	—	103
Rangoon via Bangkok & China ..	23	30	27	Rangoon via Bangkok & China ..	26	—	3,364
Singapore	104	1,396	2,875	Singapore	188	956	4,640
Bangkok	272	413	3,404	Bangkok	422	251	6,377
French Indochina	166	141	735	French Indochina	492	27	898
Macao	135	—	132	Macao	146	—	35
Philippines (direct)	413	517	2,325	Philippines (direct)	1,297	647	1,892
Japan via Ports	184	596	6,547	Japan via Ports	415	985	3,087
U.S.A. via Manila & Ports	78	2,546	2,432	U.S.A. via Manila & Ports	198	1,622	2,849
Australia	13	1	—	Australia	—	45	—
Shanghai	—	—	—	Shanghai	—	—	—
Canton (direct)	9,562	1,062	27,043	Canton (direct)	4,957	2,810	144,874
China via China Ports	5,267	2,070	338,151	China via China Ports	8,881	13,259	235,275
Honolulu via Manila	10	651	161	Honolulu via Manila	73	17	93
	16,412	13,311	397,758		17,365	13,259	407,866

Total number of aircraft: 1,456.

Total number of aircraft: 1,440.

Hongkong Airport: Traffic of regular users.

JULY 1949

ARRIVAL

DEPARTURE

Company	No. of aircraft	Passengers	Mail	Freight	No. of aircraft	Passengers	Mail	Freight
C.N.A.C.	615	5,904	2,060	215,702	617	6,632	862	338,131
C.A.T.C.	428	6,333	358	138,803	410	5,327	406	32,908
C.P.A.	23	110	185	3,002	26	344	1,320	4,798
P.A.L.	22	188	617	4,467	19	544	2,141	1,968
T.A.A.	14	80	—	1,371	11	294	—	111
B.O.A.C.	21	280	5,390	13,770	26	415	4,628	13,041
P.O.A.S.	12	80	40	777	12	185	88	2,816
P.A.A.	47	476	3,840	9,128	47	527	34	1,840
S.A.C.	4	21	34	1	4	56	—	923
H.K.A.	154	2,190	28	1,140	153	1,993	3,479	8,406
A.F.	14	417	454	1,830	14	441	280	1,909
S.A.F.E.	7	15	190	6,398	6	65	—	284
M.A.T.Co.	16	136	—	132	18	140	—	22
C.A.T.	63	86	—	—	60	21	—	374
Quantas Empire Airways	2	26	76	1,237	2	43	21	339
Total:	1,442	16,341	13,272	397,758	1,425	17,027	13,259	407,866

Hongkong Shipping Report for July, 1949

HONGKONG COMMERCIAL CARGO

for the first seven months of 1949

Ocean Steamers.

Flag	Arrivals			Departures		
	No.	Ocean Steamers Tonnage	Passengers	No.	Ocean Steamers Tonnage	Passengers
British ...	121	333,293	138,606	118	295,323	56,600
American ...	35	170,061	19,694	33	161,137	8,110
Burmese ...	—	—	—	—	—	—
Chinese ...	86	129,394	36,788	84	128,027	37,808
Danish ...	10	34,789	9,968	245	35,743	3,187
Dutch ...	21	93,390	17,431	20	90,712	8,223
Finnish ...	—	—	—	—	—	—
French ...	8	22,748	2,111	7	22,259	1,520
Greek ...	1	3,499	5,875	—	—	—
Hondurian ...	—	—	—	—	—	—
Italian ...	—	—	—	—	—	—
Norwegian ...	35	76,569	24,717	56	78,524	12,854
Panamanian ...	14	27,266	10,417	14	30,940	6,710
Philippine ...	6	12,384	6,262	21	14,507	1,220
Portuguese ...	8	3,765	309	7	4,093	2,924
Swedish ...	5	13,433	3,615	5	13,433	942
U.S.S.R. ...	6	4,875	7,733	4	3,087	587

Total	235	592,173	144,920	8,074	229	582,462
Foreign	229	582,462	84,085	37,300		

Total	356	925,466	283,526	18,233	347	877,785
						140,685
						71,168

Flag	River Steamers Arrivals			Departures		
	No.	River Steamers Tonnage	Passengers	No.	River Steamers Tonnage	Passengers
British ...	137	80,273	3,284	137	78,540	7,134
Chinese ...	231	73,782	3,829	230	73,131	4,599
Portuguese	13	2,600	1,225	12	2,400	730

Total	244	76,382	5,054	23,878	242	75,531
Foreign	244	76,382	5,054	23,878	242	75,531
						5,329
						27,538

Total	381	156,655	8,338	42,075	379	154,071
						12,463
						53,511

1949	Ocean Vessels			River Vessels		
	No.	Ocean Vessels Tonnage	Passengers	No.	River Vessels Tonnage	Passengers
January
February
March
April
May
June
July
First seven months of 1949

Monthly averages for 1947 and 1948:						
Ocean cargo, in	187,522	193,416				
" " out	71,047	87,849				
River cargo, in	7,483	9,942				
" " out	7,369	7,456				
Grand total	273,451	297,763				

Total ocean cargo for the period January to July: 2,681,315; Total river cargo: 129,234; grand total: 2,810,549.						
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Monthly averages for 1947 and 1948:						
Ocean cargo, in	187,522	193,416				
" " out	71,047	87,849				
River cargo, in	7,483	9,942				
" " out	7,369	7,456				
Grand total	273,451	297,763				

HONGKONG JUNKS & LAUNCHES

Foreign Trade conducted by Junks and Launches of 60 tons and under.

No. of Vessels Inward	No. of Vessels Outward	Reg. Tonnage of Vessels		Dead Weight Tonnage of Cargo		No. of Passengers	
		Inward	Outward	Inward	Outward	Inward	Outward
848	861	99,662	99,845	18,631	1,056	2,392	5,040

172	162	4,351	3,890	65½	—	40	3
Local Trade conducted by Junks and Launches of 60 tons and under.							

No. of Vessels Inward	No. of Vessels Outward	Reg. Tonnage of Vessels		Dead Weight Tonnage of Cargo		No. of Passengers	
		Inward	Outward	Inward	Outward	Inward	Outward
612	629	17,665	18,629	5,228	5,237	—	—

219	225	13,913	13,983	132%	235%	14,299	16,270
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Trade of Hongkong

HONGKONG IMPORTS & EXPORTS OF MERCHANDISE FOR THE FIRST HALF YEAR
OF 1947, 1948 AND 1949
(in thousands of Hongkong dollars)

Month	1947				1948				1949			
	Imports	Exports	Import excess	Import excess %	Imports	Exports	Import excess	Import excess %	Imports	Exports	Export excess	Export excess %
Jan.	105,406	102,591	2,815	2.74	140,755	113,316	27,439	24.21	159,336	171,811	12,475	7.83
Feb.	82,557	70,993	11,564	16.29	131,243	92,286	38,957	41.13	161,595	135,454	26,141	19.30
March	113,104	95,795	17,309	18.07	170,562	115,037	55,525	48.27	221,714	177,073	44,641	25.21
April	103,545	89,635	13,910	15.52	188,888	138,312	50,576	36.56	160,449	114,826	45,623	39.73
May	124,015	99,905	24,110	24.13	176,735	133,028	43,707	32.85	233,301	140,458	92,843	66.10
June	130,474	100,427	30,002	29.86	173,787	106,118	67,669	63.77	208,180	164,069	44,111	26.89
First half year ..	659,101	559,391	99,710	17.82	980,972	698,097	282,875	40.52	1,231,805	980,133	251,672	25.67
Monthly Averages	109,850	93,231	16,618	17.82	163,495	116,349	47,146	40.52	205,301	163,355	41,945	25.67

Trade Comparisons

In the first half year of 1949 Hongkong's total trade amounted to a value of HK\$ 2212 million of £ 137.3 m. or US\$ 553 m. In the first six months of 1947 imports and exports amounted to HK\$ 1218½ m., or £ 76 m. or US\$ 304.6 m. In the first six months of 1949 the total trade amounted to HK\$ 1679 m. or £ 105 m. or US\$ 419¼ m. Compared with the trade results of 1947 and 1948 (first half year) the current year's trade figures amount to increases of respectively 81½% and 31¼%.

Imports and exports in the first half year of 1947 and 1948 were considered as high and very satisfactory from the traders' point of view. It was not considered likely at the end of 1948 that the highest figures of last year would be exceeded in 1949. However, business went from strength to strength and records were established in the history of Hongkong's trade, finance and transportation. Compared with the import and export figures of 1947 and 1948 (first half year) the current figures of the first six months of 1949 amount to the following remarkable increases:—

Increase in per cent. in 1949 over 1947: imports 86.89, exports 75.21; over 1948: imports 25.57, exports 40.41.

In the trade boom of this year the banks, insurance companies, warehousing and dockyard companies, harbour and land transportation firms have prospered. The larger and old established trading firms have been successful and were earning on the whole ample profits although profit margins as compared with 1947 and 1948 were reduced and show a further falling tendency as a result of the coming into its own of the buyers' market.

Import Excess

The import excess during the first six months of 1949 amounted to \$251.6 million or 25.67%. Compared with 1948 the current import excess is lower both in terms of HK\$ and in per cent. but it is higher than the 1947 import excess (figures in the tabulation above). It is generally estimated that about 10% of total imports are consumed locally (by the population and by the factories) while about 90% are re-exported. The increasing population and the larger

consumption by industries of raw materials have led to increases in the import requirements of the community but the estimate of 10% may still be regarded as accurate as imports have heavily increased during the current year as a result of the diversion of imports destined for China ports to the Colony where they are stored for the time being.

The import excess of \$251.6 million appears very large considering that only some \$120 million worth of commodities may have been used by the local community in the first half year of 1949. It must however be borne in mind that there is a steady stream of unrecorded re-exports from here to the neighbouring province of Kwangtung which amount to a very large figure over a period of six months. This unrecorded outflow of goods (unmanifested cargo, smuggled commodities, so-called passengers' luggage representing actually organised or individually conducted Hongkong-Kwangtung trade) is to some extent offset by unrecorded imports from South China.

Hongkong Shipping Returns

For the First Seven Months of 1949

	Ocean Steamers Tonnage		River Steamers Tonnage		Ocean Passengers		River Passengers	
	In	Out	In	Out	In	Out	In	Out
Monthly Averages 1948	659,582	651,394	122,834	123,338	23,583	19,547	37,529	39,769
1949								
January	722,280	715,484	141,769	137,319	21,672	15,202	41,523	54,792
February	650,886	727,381	116,360	177,936	19,352	13,168	42,989	51,170
March	750,855	780,820	125,758	124,713	25,632	15,342	48,647	59,529
April	831,249	795,713	173,089	177,153	24,015	19,041	46,260	55,152
May	928,084	852,178	138,907	134,111	33,638	21,046	53,373	48,078
June	835,194	835,626	163,664	165,217	24,274	18,007	46,630	52,986
July	925,466	877,785	156,655	154,071	18,233	71,168	42,075	53,511
First seven months 1949	5,644,014	5,584,986	1,016,202	1,070,520	166,816	172,974	321,497	375,218

Total ocean steamer tonnage for January to July: 11,229,000; total river tonnage: 2,086,722; grand total: 13,325,722.
Total ocean passengers: 339,790; total river passengers: 696,715; grand total: 1,036,505.

Another factor influencing the current seemingly large import excess is the emergency storage of goods originally destined for China as well as hoarding of China produce and imported goods in the Colony often as a hedge against currency depreciation; but there are also many Chinese merchants in the Colony who have brought here their goods from North China and Shanghai (recently also from Canton) as they are concerned about the trade policies of the new regime in China which may entail, under certain conditions, confiscations and regimentation as well as rigid price controlling.

Local commodity stocks for consumption of the population are high but retailers have been able to reduce their inventories while the placing of new orders has been done with more care than in the previous years

Hongkong's Principal Trading Partners

Comparative positions of Hongkong's trading partners in the first half year of 1949.

Imports from foreign countries: British Empire countries accounted for 24.60% of total imports. Imports from China valued at \$302.7 million or 24.57%. After China followed USA with 21.41% of total imports, U.K. 14.43%, Siam 4.14, Japan 3.95%, Korea (north and south) 3.80% (viz. 1.51% from South Korea and 2.29% from North Korea), Macao 3.76, Australia 2.56, Malaya 2.13, Switzerland 2.08, Canada 1.81, France 1.44, Indonesia 1.23, India 1.17 and Netherlands 1.16%.

Exports to foreign countries: British Empire countries accounted for 27.07% of total exports from the Colony. China took commodities valued at \$153.2 million or 15.63% of total exports of Hongkong. After China followed Malaya with 10.95%, Siam with 8.72% of total exports, the USA 8.70%, the UK 7.95%, Macao 8.28%, Korea 6.07% (North Korea 2.91% and South Korea 3.16%), the Philippines 4.81, Pakistan 4.66, Indonesia 3.75, Japan 3.72, India 2.13, Germany 1.27, Australia 1.24, British East Africa 1.09, Indochina 1.06%.

Trade with China: Total trade amounted to \$455.8 million, with North China accounting for \$163.8 m. or 36%, Central China \$41.6 m. or 9%, and South China \$250.4 m. or 55%. About two-thirds of Macao's trade with Hongkong should be added to Hongkong's trade with China. In spite of civil war and internal disturbances China has been conducting considerable business with Hongkong during the first half year of 1949. China's share in the Colony's trade was 24.57% of imports and 15.63% of exports; Macao's share was 3.76% of imports and 8.28% of exports. Trade with North China has been higher than expected; all trade was conducted as barter, imports and exports amounting to the same amounts for the period Jan./June (\$81.9 m. both for imports and for exports). Central China's trade has almost faded out. Trade with South China was actually larger than the recorded figures suggest; especially exports to South China were far in excess of the recorded \$48.4 million for the year's first six months.

HONGKONG'S TRADE FOR JUNE 1949

The total trade of the Colony in June amounted to \$372,249,703, as compared with \$279,905,552 for June 1948 and \$374,105,528 for May this year, a rise of 33% against last June, but a slight fall against May of 0.66%.

Imports into the Colony during June totalled a declared value of \$208,180,331, an increase of 19.7% against the figure of \$173,787,329 for June 1948 and a fall of 10.8% compared with \$233,516,776 for May this year.

Exports, \$164,069,372, on the other hand showed increases of 54.5% and 16.7% respectively against the June 1948 figures of \$106,118,223 and May 1949 total of \$140,588,752. The excess of imports over exports was considerably reduced in the month under consideration, amounting to \$44,110,959 as compared with the adverse balance for June 1948 of \$67,669,106 and for May 1949 of \$92,928,024.

For the first half of 1949 imports amounted to a declared value of \$1,231,805,294, as compared with \$980,972,054 in the first half of 1948; exports totalled \$980,133,228 as against \$698,097,706.

Trade with Great Britain showed an increase both in imports and exports, over June 1948, the figures being respectively \$25.78 million against \$23.37 million and \$11.66 m. against \$3.72 m., a gain of 10.3% in imports and of 213% in exports. Imports from Canada amounted to \$5.89 m. against \$2.21 m. and exports to \$3.9 m. against \$283,664. Malayan imports totalled \$6.2 m. as against \$9.1 m., but exports increased to \$22.45 m. compared with \$15.7 m. Imports from South Africa were \$2.28 m., against \$106,991, and exports \$2.9 m. against \$512,917.

Although North China trade showed increases in both imports and exports of \$12.23 m. against \$9.48 m. and \$25.27 m. against \$6.1 m., imports from Central China showed an increase to \$3.5 m. compared with \$2.48 m. but a drop to \$5.29 against \$6.6 m. in exports, whereas imports from South China indicated a rise to \$36.19 m. against \$17.8 m. though exports fell to \$5.76 m. compared with \$7.9 m.; the rise of 103.3% in imports from South China was 'due to the great quantities of goods despatched to the Colony from Canton and other centres of trade with the advance of the Communist armies. There was a drop in imports from Macao to \$5.81 m. compared with \$11.86 m., but a rise in exports to \$19.24 m. against \$6.79 m.

Imports from Japan rose slightly to \$10.9 m., compared with \$10.77 m., but exports fell to \$5.97 m. from \$8.15 m. On the other hand imports from South Korea showed a fall to \$1.53 m. compared with \$2.47 m. but exports rose to \$2.73 m. from \$1.59 m. Imports from and exports to North Korea both showed increases to \$1.73 m. and \$1.43 m. compared with none last year.

Both imports from and exports to the United States showed increases, imports rising to \$47.64 m. against \$30.3 m. a gain of 57.2%, and exports to \$18.15 m. compared with \$8 m. an increase of 126.8%.

As regards imports of merchandise, the chief increases against June 1948 were in animal & vegetable oils \$9.4 m. (June 1948 \$7.6 m.), fertilizers \$4.2 m. (\$662,821), textile materials raw or simply prepared \$5.28 m. (\$3.17 m.), products for heating & lighting \$14.65 m. (\$12.15 m.); non-ferrous base metals \$6.3 m. (\$2.1 m.), manufactures of base metals \$6.2 m. (\$3.4 m.), machinery & appliances other than electrical \$15.19 m. (\$4.3 m.), miscellaneous crude or simply prepared products \$11.41 m. (\$3.66 m.), electrical machinery and appliances \$4.82 m. (\$2.33 m.). The main increases in exports were in vegetable oils \$14.24 m. (\$6.45 m.), paper \$8.71 m. (\$4.24 m.), textile materials, raw or simply prepared \$7.49 m. (\$5.26 m.), underwear of textile materials \$6.70 m. (\$3.08 m.), non-ferrous base metals \$8.86 m. (\$1.56 m.), manufactures of base metals, \$7.99 m. (\$4.5 m.), miscellaneous crude or simply prepared products, \$11.51 m. (\$4.96 m.), manufactured articles \$7.89 m. (\$5.26 m.).

Hongkong's Trade for the Half-year of 1949.

TOTAL VALUES OF IMPORTS & EXPORTS OF MERCHANDISE BY COUNTRIES

COUNTRIES	IMPORTS FROM		EXPORTS TO	
	1st ½ year 1948	1st ½ year 1949	1st ½ year 1948	1st ½ year 1949
	\$	\$	\$	\$
United Kingdom	112,090,095	177,788,756	36,348,457	77,900,649
Australia	22,378,906	31,564,638	7,009,257	12,214,744
Canada	17,122,393	22,227,916	3,192,751	8,393,843
Ceylon	594,466	944,250	2,612,864	3,496,073
East Africa	946,743	1,021,272	3,633,567	10,744,483
India	15,557,955	14,417,919	9,249,506	20,819,391
Malaya	54,885,374	26,264,810	103,804,982	107,308,840
New Zealand	206,396	402,221	628,345	983,848
North Borneo	6,184,824	6,247,806	3,265,467	3,847,089
South Africa	5,200,878	7,765,827	3,327,933	8,572,998
West Africa	—	41,606	1,608,436	3,699,594
West Indies	5,577	65,787	3,760,180	2,036,719
British Empire Other	18,266,402	14,253,464	4,992,411	5,357,232
Belgium	25,381,539	9,141,652	4,968,733	4,012,562
Burma	25,168,523	12,156,071	5,491,268	8,483,670
China, North	47,685,512	81,886,300	34,357,854	81,935,323
" Middle	18,802,947	18,783,321	25,347,741	22,856,991
" South	110,665,124	202,052,871	49,400,765	48,410,615
Cuba	71,470	36,731	894,802	510,263
Central America	543,095	361,424	1,599,082	1,713,774
Denmark	1,370,809	1,297,906	399,163	1,941,442
Egypt	5,679,441	255,294	2,410,384	2,200,252
France	8,156,777	17,737,177	5,563,319	6,333,034
Indochina	10,723,894	9,599,795	10,765,446	10,398,464
Germany	2,193,858	2,476,504	2,044,659	12,431,000
Holland	7,740,460	14,309,879	3,277,414	5,106,791
Italy	16,812,948	6,362,673	2,007,869	5,946,630
Japan	42,564,196	48,667,798	17,105,923	36,432,352
Korea (South)	10,798,155	18,507,943	14,615,880	31,049,727
Macao	38,681,309	46,374,216	63,668,377	81,151,714
Norway	9,416,897	6,719,523	942,106	3,067,135
Indonesia	18,244,225	15,161,375	35,897,382	36,797,188
Philippines	5,135,282	8,881,952	60,846,382	47,170,672
Portugal	432,431	650,496	11,980	64,805
Siam	69,044,172	50,918,063	72,391,897	85,472,725
South America	1,196,790	2,250,076	2,643,256	2,075,675
Sweden	18,220,029	11,255,517	1,916,127	2,205,582
Switzerland	16,733,114	25,648,372	6,431,708	429,971
Spain	909,050	268,862	—	179,896
U. S. A.	201,032,325	263,780,576	75,183,599	85,319,103
U. S. S. R.	431,680	433,316	2,735,597	1,898,628
Korea (North)	—	28,241,559	—	28,477,911
Austria	637,391	1,770,447	159,292	17,660
Eire	—	—	—	31,477
Czechoslovakia	2,760,434	2,579,610	—	1,815
El Hasa	—	—	1,116,603	1,468,301
Finland	1,167,971	1,400,471	195,151	57,626
Greece	12,000	11,244	68,454	175,253
Hungary	25,558	45,488	—	—
Iran	3,529,889	544,626	197,914	285,010
Iraq	—	—	3,144,004	1,668,239
Oman	1,800	55,568	611,797	2,209,469
Poland	34,173	1,164,991	—	—
Port. E. Africa	89,054	45,702	886,931	1,427,746
Pakistan	—	1,043,108	—	45,725,564
Syria	—	—	512,882	415,569
Turkey	—	39,300	1,096,564	1,013,528
Others	5,435,823	15,881,145	3,755,245	6,186,564
Total	980,972,054	1,231,805,294	698,097,706	980,133,228
Total British Empire	253,439,909	303,006,272	183,434,156	265,375,503
Total Foreign	727,532,145	928,799,022	514,663,550	714,757,725

Hongkong's Trade in June 1949

Hongkong's Trade for the first half year of 1949

TOTAL VALUES OF IMPORTS & EXPORTS BY COMMODITY GROUPS				TOTAL VALUES OF IMPORTS & EXPORTS BY COMMODITY GROUPS			
ARTICLES	IMPORTS		EXPORTS	ARTICLES	IMPORTS		EXPORTS
	June 1948	June 1949			1st ½ year 1948	1st ½ year 1949	
Live animals, chiefly for food	3,060,165	2,520,685	1,305	Live animals chiefly for food	15,759,417	19,918,363	8,560
Meat and preparations thereof	326,766	413,725	482,301	Meat and preparations thereof	1,382,458	6,268,647	5,186,703
Dairy products, eggs & honey	3,074,840	3,404,753	2,323,023	Dairy products, eggs & honey	15,655,592	30,285,060	15,161,465
Fishery products, for food	2,877,115	3,103,259	1,023,399	Fishery products, for food	19,238,944	27,439,909	8,143,592
Cereals	4,903,762	5,413,307	10,451	Cereals	81,670,379	42,882,566	425,107
Manufactured products of cereals, chiefly for human food	1,696,949	2,658,853	1,158,947	Manufactured products of cereals chiefly for human food	17,797,669	25,507,609	9,067,163
Fruits and nuts, except oil-nuts	2,416,307	2,784,279	1,835,541	Fruits & nuts, except oil-nuts	15,169,619	19,914,278	13,624,127
Vegetables, roots and tubers, chiefly used for human food and their preparations, n.e.s. ..	3,357,693	7,181,964	4,966,795	Vegetables, roots and tubers, chiefly used for human food and their preparations, n.e.s. ..	24,999,261	33,363,927	34,697,490
Sugar and sugar confectionery	3,214,999	4,602,140	817,091	Sugar and sugar confectionery	24,364,937	15,351,858	10,082,858
Coffee, tea, cocoa and preparations thereof, spices	1,115,384	1,952,052	1,098,404	Coffee, tea, cocoa and preparations thereof, spices	7,026,030	9,832,811	6,174,330
Beverages and vinegars	1,587,720	1,873,988	797,797	Beverages and vinegars	6,491,129	8,567,514	3,931,945
Feeding stuffs for animals, n.e.s.	10,630	1,282,402	34,749	Feeding stuffs for animals, n.e.s.	144,547	7,070,598	218,084
Tobacco	3,130,737	4,805,880	823,030	Tobacco	19,714,440	23,982,606	9,873,133
Oil-seeds, nuts & kernels	4,964,996	907,808	5,210,671	Oil-seeds, nuts & kernels	12,384,590	13,371,215	8,559,731
Animal & vegetable oils, fats, greases & waxes & their manufactures, n.e.s.	7,611,588	9,439,827	6,455,721	Animal & vegetable oils, fats, greases & waxes & their manufactures, n.e.s.	54,254,308	63,515,128	65,740,142
Chemical elements and compounds; pharmaceutical products	11,301,126	6,076,236	4,971,154	Chemical elements & compounds; pharmaceutical products	50,403,687	57,848,611	25,182,129
Dyeing, tanning and colouring substances (not including crude materials)	4,661,959	3,689,996	3,053,027	Dyeing, tanning & colouring substances (not including crude materials)	46,058,320	31,155,952	19,548,740
Essential oils, perfumery, cosmetics, soaps & related products	962,450	1,938,381	701,520	Essential oils, perfumery, cosmetics, soaps & related products	6,716,659	10,916,749	7,130,951
Fertilizers	662,821	4,207,447	1,672,893	Fertilizers	4,884,625	6,025,934	5,821,485
Rubber & Manufactures thereof, n.e.s.	4,109,366	2,416,263	2,386,639	Rubber & manufactures thereof, n.e.s.	18,571,679	16,404,626	11,745,914
Wood, cork and manufactures thereof	3,253,717	3,988,845	656,186	Wood, cork & manufactures thereof	19,571,679	24,648,340	3,647,134
Pulp, paper & cardboard and manufactures thereof	11,814,681	12,160,398	4,240,365	Pulp, paper & cardboard and manufactures thereof	56,365,744	48,368,814	27,195,856
Hides & skins & leather	826,719	1,396,630	818,862	Hides & skins & leather	7,106,038	12,511,414	8,020,025
				Manufactures of leather, not including articles of clothing	211,847	464,158	2,078,871
				Furs, not made up	574,014	1,989,138	1,394,461
							2,593,950
							3,571,887

Manufactures of leather, not including articles of clothing	45,426	84,822	365,770	313,528	Textile materials, raw or simply prepared ..	12,954,049	35,799,411	17,457,940	36,122,037
Furs, not made up	15,000	35,000	181,160	602,024	Yarns and threads	65,396,771	50,350,203	21,351,311	56,613,030
Textile materials, raw or simply prepared ..	3,173,407	5,284,045	5,268,782	7,490,103	Textile fabrics & small wares	73,345,801	101,251,231	88,304,311	103,224,957
Yarns and threads	22,447,822	5,826,012	2,700,743	5,008,777	Special & technical textile articles	2,645,998	3,827,072	1,673,276	2,776,341
Textile fabrics & small wares	15,649,291	11,693,006	13,531,285	14,274,344	Clothing & underwear of textile materials; hats of all materials	9,551,079	10,285,490	25,097,982	41,553,340
Special & technical textile articles	437,698	683,006	271,471	369,861	Clothing of leather and fur	95,205	22,925	88,754	5,510
Clothing and underwear of textile materials; hats of all materials	1,916,856	1,696,659	3,085,420	6,790,328	Footwear: boots, shoes and slippers	982,468	727,594	10,962,041	12,143,354
Clothing of leather and fur	4,860	—	—	360	Made-up articles of textile materials other than clothing	7,531,623	14,437,074	18,734,263	30,019,645
Footwear: boots, shoes and slippers	331,718	84,815	980,085	764,966	Products for heating, lighting & power, lubricants & related products, n.e.s.	65,528,984	67,434,464	38,635,738	31,743,232
Made-up articles of textile materials other than clothing	1,840,068	2,280,189	7,306,840	8,456,335	Non-metallic minerals, crude or simply prepared, n.e.s.	9,011,735	10,336,262	2,672,283	3,457,335
Products for heating, lighting & power, lubricants & related products, n.e.s.	12,158,653	14,658,978	3,498,035	3,732,987	Pottery and other clay products	4,575,478	6,402,997	3,733,543	4,617,016
Non-metallic minerals, crude or simply prepared, n.e.s.	909,418	950,538	369,661	323,901	Glass and glassware ...	5,552,208	6,226,357	4,129,143	5,414,370
Pottery and other clay products	864,485	1,011,837	579,747	884,442	Manufactures of non-metallic minerals, n.e.s.	1,965,342	2,299,138	475,706	952,459
Glass and glassware ...	970,637	1,629,363	585,972	673,621	Precious metals & precious stones, pearls & articles made of these materials	1,533,980	12,574,877	1,164,097	2,423,635
Manufactures of non-metallic minerals, n.e.s.	380,923	322,466	65,295	110,330	Ores, slag, cinder	9,686,855	18,907,022	9,684,148	14,062,725
Precious metals & precious stones, pearls & articles made of these materials	400,825	4,701,999	172,599	176,131	Iron and steel	29,925,202	35,348,295	10,745,050	15,251,252
Ores, slag, cinder	633,996	5,874,218	651,470	2,016,458	Non-ferrous base metals	13,890,100	28,293,889	13,132,631	25,748,998
Iron and steel	3,932,032	5,550,718	1,681,941	1,424,371	Manufactures of base metals, n.e.s.	20,392,277	34,315,993	33,368,375	58,354,451
Non-ferrous base metals	2,108,173	6,306,469	1,569,778	8,868,036	Machinery, apparatus & appliances other than electrical, n.e.s.	24,478,717	44,328,038	2,956,329	6,351,189
Manufactures of base metals, n.e.s.	3,442,456	6,206,678	4,523,914	7,991,171	Electrical machinery, apparatus & appliances	10,950,229	26,286,997	6,232,686	10,728,187
Machinery, apparatus & appliances other than electrical, n.e.s.	4,315,408	15,191,879	322,754	1,037,093	Vehicles and transport equipment, n.e.s.	17,419,761	24,158,459	12,813,025	11,475,756
Electrical machinery, apparatus & appliances	2,338,542	4,822,356	1,105,866	1,819,566	Miscellaneous crude or simply prepared products, n.e.s.	20,612,425	74,827,968	32,637,773	68,135,785
Vehicles and transport equipment, n.e.s.	2,135,826	4,365,238	1,528,015	1,310,986	Manufactured articles, n.e.s.	46,199,450	66,957,713	39,378,054	54,994,033
Miscellaneous crude or simply prepared products, n.e.s.	3,669,232	11,417,391	4,965,609	11,510,566	Gold and specie	71,393	8,866,473	11,927,954	9,065,962
Manufactured articles, n.e.s.	8,722,087	9,283,530	5,267,040	7,899,773	Total	981,043,447	1,240,671,767	710,025,660	989,199,190
Gold and specie	—	7,996,809	3,990,613	5,032,017					
Total	173,787,329	216,177,140	110,108,836	169,101,389					

Hongkong's Trade for the Month of June, 1949.

TOTAL VALUES OF IMPORTS & EXPORTS OF MERCHANDISE
BY COUNTRIES

COUNTRIES	IMPORTS FROM		EXPORTS TO	
	June 1948	June 1949	June 1948	June 1949
	\$	\$	\$	\$
United Kingdom	23,371,561	25,782,801	3,720,831	11,667,410
Australia	2,841,687	2,642,128	1,626,672	1,867,261
Canada	2,217,011	5,896,240	283,664	3,901,033
Ceylon	135,152	165,327	545,110	415,706
East Africa	27,442	214,800	984,570	1,885,460
India	3,405,277	2,383,719	1,242,834	2,985,705
Malaya	9,127,143	6,238,878	15,711,614	22,450,645
New Zealand	6,266	13,062	60,486	82,163
North Borneo	827,115	1,128,511	320,952	862,999
South Africa	106,991	2,286,361	512,917	2,905,925
West Africa	—	32,256	241,148	400,104
West Indies	—	—	963,052	168,664
British Empire, Other	1,644,703	798,269	1,472,121	493,745
Belgium	1,968,151	2,159,857	262,861	643,635
Burma	906,346	925,627	1,188,992	2,694,299
China, North	9,480,883	12,238,111	6,109,749	25,270,592
" Middle	2,479,253	3,501,334	6,614,543	5,292,717
" South	17,849,253	36,190,211	7,924,432	5,765,391
Cuba	—	9,000	80,107	84,495
Central America	208,250	130,660	395,690	330,269
Denmark	226,408	439,229	43,032	8,537
Egypt	8,517	8,800	227,990	209,164
France	1,979,254	3,721,782	736,521	1,168,140
Indochina	1,470,698	1,930,567	1,561,802	1,907,354
Germany	354,321	504,126	1,272,679	782,763
Holland	1,701,035	2,791,488	542,957	949,611
Italy	8,849,916	1,276,250	241,003	341,514
Japan	10,776,647	10,900,746	8,154,312	5,971,436
Korea (South)	2,473,401	1,536,065	1,591,091	2,733,232
" (North)	—	1,731,231	—	1,438,379
Macao	11,865,604	5,817,287	6,789,683	19,241,696
Norway	2,354,803	1,314,211	162,111	178,976
Indonesia	3,617,200	1,696,445	3,550,964	5,014,617
Philippines	649,169	1,124,462	9,528,978	6,514,412
Portugal	129,090	287,406	—	1,100
Siam	6,980,381	7,457,330	11,230,658	4,581,427
South America	132,250	385,268	68,011	145,222
Sweden	5,319,255	3,793,791	402,912	356,646
Switzerland	3,131,625	3,351,334	132,061	50,780
Spain	163,921	36,663	—	—
U. S. A.	30,313,026	17,640,858	8,004,598	18,156,652
U. S. S. R.	203,680	—	—	602,914
Austria	42,656	355,227	—	—
Eire	—	—	—	3,250
Czechoslovakia	315,933	417,486	—	—
El Hasa	—	—	313,904	172,172
Finland	327,918	632,845	26,660	28,346
Greece	—	—	6,173	8,202
Hungary	25,558	—	—	—
Iran	516,000	—	33,000	3,150
Iraq	—	—	529,526	141,370
Oman	—	17,900	217,243	203,563
Poland	4,253	181,540	—	—
Port. E. Africa	31,392	—	154,729	480,299
Pakistan	—	312,772	—	1,379,898
Syria	—	—	4,896	100,903
Turkey	—	39,300	91,233	69,710
Others	3,220,222	5,740,770	237,151	955,719
Total	173,787,329	208,180,331	106,118,223	164,069,372
Total British Empire	43,710,348	47,582,352	27,685,971	50,086,820
Total Foreign	130,076,981	160,597,979	78,432,252	113,982,552

Wolfram

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
United Kingdom ..	—	—	1,239	408,756
China, South	19,189	5,263,445	—	—
France	—	—	1,822	648,570
Korea (South)	275	78,000	—	—
Macao	204	50,860	—	—
Sweden	—	—	413	146,823
U.S.A.	—	—	84	27,720
Total	19,668	5,392,305	3,558	1,231,869

Antimony

China, South	1,884	260,475	—	—
Total	1,884	260,475	—	—

Tin ingots of Chinese origin

Canada	—	—	7,108	3,223,125
China, South	6,834	3,445,731	—	—
Macao	170	85,000	—	—
U. S. A.	—	—	6,396	3,327,359
U. S. S. R.	—	—	1,314	602,914
Total	7,004	3,530,731	14,818	7,153,398

Tin ingots of Malayan origin

Malaya	1,008	544,560	—	—
Total	1,008	544,560	—	—

Tinned plates.

United Kingdom ..	2,709	195,891	—	—
China, North	—	—	1,126	69,105
" Middle	—	—	379	23,669
" South	—	—	34	2,400
Macao	—	—	279	13,052
Siam	—	—	302	12,096
U. S. A.	5,405	228,992	—	—
Korea (North)	—	—	243	39,600
Total	8,114	424,883	2,363	159,922

Soya bean cil

Malaya	—	—	22	3,564
New Zealand	—	—	62	9,685
China, North	300	39,000	—	—
Korea (South)	552	68,050	—	—
Total	852	107,050	84	13,249

Tea seed oil

United Kingdom ..	—	—	44,559	7,039,372
China, South	18,398	2,772,980	—	—
Macao	1,786	232,799	—	—
Total	20,184	3,005,779	44,559	7,039,372

Aniseed oil

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
United Kingdom ..	—	—	32	14,175
India	—	—	3	1,215
Belgium	—	—	4	1,885
China, South	147	60,545	—	—
France	—	—	157	64,574
Indochina	114	6,200	—	—
Holland	—	—	21	11,099
Macao	19	7,885	—	—
Siam	—	—	1	793
U. S. A.	—	—	534	322,474
Total	280	74,630	752	322,195

Cassia oil

United Kingdom ..	—	—	60	53,865
India	—	—	5	3,030
Holland	—	—	16	18,690
Macao	25	23,998	—	—
Total	25	23,998	97	89,760

Coco-nut (copra) oil, refined

Malaya	5,895	682,429	—	—
Brit. North Borneo	254	25,965	—	—
China, North	—	—	1,218	124,040
" Middle	—	—	669	71,345
" South	—	—	338	31,143
Korea (South)	—	—	72	7,200
Macao	—	—	153	16,920
Total	6,149	708,394	2,450	250,648

Linseed oil

Canada	334	37,914	—	—
China, South	300	27,000	—	—
Macao	—	—	1	130
U. S. A.	104	14,516	—	—
Total	738	79,430	1	130

Groundnut (peanut) oil

Canada	—	—	32	6,300
India	3,060	347,339	—	—
Malaya	—	—	325	67,585
China, North	18,585	2,378,541	—	—
Italy	—	—	1,680	119,280
Korea (South)	87	12,180	—	—
Macao	132	21,790	1,467	217,092
Siam	609	108,460	—	—
Total	22,473	2,868,310	3,504	410,257

Sesamum oil

Canada	—	—	33	8,288
Malaya	—	—	23	5,937
Burma	—	—	1	280
Macao	13	1,875	7	1,261
Indonesia	—	—	14	490
Philippines	—	—	1	375
U. S. A.	—	—	25	6,817
Total	13	1,875	104	23,448

Reports from Malaya.

Rubber.

Rubber imported into the Federation of Malaya during June amounted to 2,387 long tons, smoked sheet accounting for 2,213 tons; 1,117 tons came from Thailand (1,067 tons smoked sheet and 50 tons remilled crepes, blanket, native bark & scrap crepes), 974 tons from Burma (933 tons smoked sheet and 41 tons scrap lump & bark) and 213 tons from Sumatra (213 tons smoked sheet, 48 tons dry unsmoked sheet, 29 tons remilled crepes, etc., 1 ton wet sheet and 4 tons scrap lump & bark), while 1 ton remilled crepes, etc., came from Singapore. In May the quantity imported came to 2,054 tons (1,798 tons smoked sheet, 96 tons dry unsmoked sheet, 6 tons estate crepes, 31 tons remilled crepes etc., 98 tons wet sheet and scrap lump & bark). The total amount of rubber imported during the first half of this year was 22,548 tons or a monthly average of 3,758 tons.

Exports from the Federation during June came to 25,927 tons (24,502 tons of sheet-crepe and 1,425 tons of latex, concentrated latex & revertex). During May 30,179 tons was exported (29,091 tons sheet-crepe and 1,088 tons

latex, etc.). For the first half of the year foreign exports amounted to 207,615 tons (199,989 tons and 7,626 tons), or a monthly average of 34,600 tons; the bulk of these exports were from Penang 13,678 tons, Port Swettenham 9,845 tons and Malacca 2,404 tons, 23,449 tons being shipped to Singapore. Compared with the May exports of 30,179 tons, the June figures showed a drop of 14% and a fall of 25% against the monthly average for the half-year. As usual, the United States came first with 7,519 tons (6,467 tons of sheet & crepe and 1,052 tons of latex, concentrated latex and revertex) or 29% of the total exports, but this represents a fall of 3,160 tons compared with the figures for May of 10,679 tons; Great Britain came next with 5,082 tons (4,922 tons and 160 tons), 252 tons less than in May; Russia took 2,258 tons, France 2,107 tons (2,097 tons and 10 tons), the Netherlands 1,187 tons, Japan 1,110 tons, Italy 911 tons (882 tons & 29 tons), Korea 849 tons, Canada 759 tons (595 tons & 164 tons), Argentine Republic 650 tons, Australia 619 tons, Hongkong 514 tons, Germany 480 tons, South Africa 384 tons. Belgium 343

tons, China 338 tons, Turkey 169 tons, Denmark 154 tons, Poland 150 tons, Sweden 130 tons and other countries 214 tons.

Stocks on hand at the end of June totalled 74,561 tons, compared with 71,939 tons at the end of May; 45,706 tons were in the hand of dealers, 7,228 tons at ports and 21,627 tons on estates. Dealers stocks were held as follows: Selangor 9,203 tons, Perak 8,507 t., Prov. Wellesley 7,170 t., Johore 6,141 t., Penang 3,631 t., Negri Sembilan 3,154 t., Malacca 2,728 t., Kedah 2,443 t., Kelantan 1,754 t., Pahang 700 t., Trengganu 258 t., Perlis 17 t. Port stocks were held at Penang 5,249 tons, Port Swettenham 1,652 t., Teluk Anson 317 t. and Port Dickson 10 t. Stocks on estates of 100 acres and over stood as follows: Selangor 5,099 tons, Johore 3,937 t., Perak 3,668 t., Negri Sembilan 2,961 t., Kedah 2,409 t., Pahang 1,704 t., Malacca 897 t., Kelantan 493 t., Penang & Prov. Wellesley 371 t., Trengganu 73 t. and Perlis 15 t.; of these stocks, 18,033 tons were held on European estates, 2,540 t. on Chinese estates, 751 t. on Indian estates and 303 t. on others. Stocks on small-holdings of less than 100 acres are not given in the figures issued by the Federation Registrar of Statistics.

Wood oil (in drums)

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
United Kingdom ..	—	—	1,176	162,120
Australia	—	—	2,151	288,187
India	—	—	437	58,413
Malaya	—	—	106	17,484
New Zealand	—	—	252	34,860
North Borneo	—	—	10	1,411
South Africa	—	—	1,932	312,364
Belgium	—	—	1,176	173,544
China, South	9,699	1,139,314	—	—
Germany	—	—	546	65,294
Holland	—	—	1,452	197,316
Macao	1,716	206,681	—	—
Norway	—	—	840	91,476
Indonesia	—	—	420	49,980
Philippines	—	—	83	11,600
Sweden	—	—	84	8,526
U. S. A.	—	—	1,228	153,230
Total	11,415	1,345,995	11,903	1,625,805

Wood oil (in bulk)

United Kingdom ..	—	—	9,593	1,284,108
U. S. A.	—	—	14,570	1,711,080
Total	—	—	24,163	2,995,188

Other oils from seeds, nuts and kernels

United Kingdom ..	—	—	1,834	366,779
Australia	84	15,587	—	—
Malaya	336	40,320	—	—
China, Middle	—	—	10	1,596
" South	2,459	418,424	—	—
Holland	44	10,774	—	—
Macao	2,303	249,192	2	320
U. S. A.	47	8,762	—	—
Total	5,273	743,059	1,846	368,695

Bristles

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
United Kingdom ..	—	—	199	323,746
Australia	—	—	17	93,808
Belgium	—	—	34	32,440
China, North	413	1,945,884	—	—
" South	4,199	3,711,055	—	—
Korea (South)	90	500,000	—	—
Sweden	—	—	18	37,000
U. S. A.	—	—	2,119	4,180,280
Korea (North)	529	384,000	—	—
Total	5,231	6,540,939	2,387	4,667,274

Rubber, raw

Malaya	14,697	1,262,810	1,525	106,722
North Borneo	508	39,822	—	—
China, North	—	—	10,395	860,719
" South	—	—	1,403	121,305
Korea (South)	—	—	488	58,310
Macao	—	—	42	4,500
Indonesia	2,183	188,500	—	—
Total	17,388	1,491,132	13,853	1,151,556

The production of rubber on estates and small-holdings during June amounted to 51,604 tons, as against 52,069 t. for May, and 60,694 t. for June 1948; total production for Jan/June of this year amounted to 324,794 t. as compared with 347,685 t. for the first half of 1948. Of the production for June 27,015 t. was from European estates, 4039 t. Chinese, 1091 t. Indian and 776 t. from estates under other ownership, while 18,683 t. was from small-holdings. During the month, 4 tons of rubber was accidentally destroyed by fire and 8 tons as a result of terroristic activities.

The total acreage of tappable rubber in the Federation at the end of June on estates of 100 acres and over was 1,820,318; the total area tapped during the month was 1,634,765 acres, the total area not tapped was 185,553 acres, the area of tappable rubber which has never been tapped was 47,061 acres.

Coconut, Copra & Coconut Oil.

The number of coconut estates of 100 acres and over in the Federation of Malaya at the end of June was 87, with a total acreage of 92,547, the number of nuts harvested was 17,913,500, the production of copra was 3,500 long tons on the estates and 6,723 tons on small-holdings, a total of 10,223 tons for the month and of 53,760 t. for the first half of the year. Local consumption by oil mills amounted to 10,199 t. Stocks on estates totalled 1,584 t. at the end of the month.

Exports of coconuts from the Federation and Singapore during June were valued at S\$53,250, all going to Burma. There were no imports of coconuts during this period.

Exports abroad of copra amounted to 2,261 tons valued at S\$1,135,330, of which \$930,464 went from Singapore and \$204,866 from the Federation; exports to the value of \$649,166 went to Poland, \$249,080 went to the Netherlands, \$107,344 to Denmark. \$68,000 to France and \$61,740 to Norway. Imports of copra totalled 7,143 tons to the value of \$3,175,788, (\$2,600,939

into Singapore and \$574,849 to the Federation); of these imports, \$1,120,619 were from Sumatra, \$688,571 from North Borneo, \$604,218 from Rhioh & Lingga, \$455,507 from unspecified Dutch islands, \$86,204 from Banka & Billiton, \$59,684 from Netherlands Borneo, \$57,942 from Thailand, \$49,330 from Sarawak, \$5,400 from Celebes & Malacca and \$48,313 from other countries.

Imports of coconut oil amounted to \$20,469, the bulk being from Sumatra \$16,177 and Banka & Billiton \$2,660; \$16,177 going to the Federation and \$4,292 to Singapore. Exports of coconut oil totalled 4,649 t., value of \$3,933,561, (\$2,813,583 going from the Federation and \$1,179,978 from Singapore). India took the bulk of these exports or \$1,519,461, Hongkong came next with \$744,681, Burma, Italy, the Netherlands, Egypt followed with \$629,582, \$478,215, \$289,304, \$131,185 respectively, other exports being to Rhioh & Lingga \$51,159, Greece \$45,590, Arabia \$29,570, Syria \$19,320, Pakistan \$17,000, France \$16,212, Sarawak \$8,746, etc.

Palm Oil & Kernels.

Exports of palm oil from the Federation amounted to 4,526 tons during June and of kernels to 614.31 tons, compared with 3,500.43 t. and 574.09 t. respectively for June 1948; 2,624.47 tons of palm oil went to Singapore, 1,851.50 t. to Great Britain and 50 t. to India; 291.04 t. of kernels went to Singapore, 273.27 t. to Great Britain and 50 t. to the Netherlands.

Soap.

The number of soap factories in production in Malaya at the end of June was 38, the quantity manufactured was 32,203 cases of net weight 1,324,855 lbs. (May 1949 31,678 cases of 1,298,080 lbs), bringing the total for the first half-year of 1949 to 186,636 cases of 7,659,848 lbs. The quantity sold in the Federation was 24,059 cases of 959,988 lbs., and exports abroad amounted to 6,440 cases of 289,552 lbs. Stock at the end of the month was 12,474 cases of 554,635 lbs.

Tea.

Imports of tea into the Federation during June amounted to 306,477 lbs. valued at \$340,346, black tea amounting to \$333,186 and green tea to \$7,161. Total imports from January to June of this year came to 1,543,864 lbs. valued at \$1,568,142. Apart from imports totalling \$133,659 from Singapore, the bulk of the tea came from Ceylon to the value of \$136,302, next came tea from China \$52,543, Sumatra \$15,628, Egypt \$1,547, India \$358 and Great Britain \$309.

Exports of tea totalled 108,921 lbs. valued at \$94,865, and total exports for the half-year to 963,420 lbs. worth \$885,035. Exports went principally to Ceylon \$51,913, Thailand \$33,345, Singapore \$5,363, Burma \$2,873.

Reports from Thailand

Note Circulation and Reserve

During the week ending June 9, there was a total of 2,490,602,502 baht in actual circulation throughout the country, compared to 2,503,595,736 baht during the previous week.

During the week ending June 2, the Bank of Thailand kept 58,567,968 baht in its Banking Department, while during the week ending June 9 the Bank had 71,561,202 baht in the department. Including this sum the total number of notes within the country was 2,562,163,704 baht.

Against the amount the Bank of Thailand has equal backing including 711,231,159 baht in securities, 147,000,000 baht in other assets, 934,868,785 baht in foreign currencies and 769,063,760 baht in gold bullion.

Rice Exports

Thailand's foreign exchange earnings from rice export during the first half of this year totalled about one and a half billion baht at the official exchange rates. Exporting 731,583 tons of rice from January 1 to June 30 this year, Thailand obtained the following amounts of foreign exchange: 23,456,000 pounds sterling, 22,797,000 U.S. dollars and 1,400,000 Swiss francs.

At its last meeting during the later part of June, the International Emergency Food Council allocated 1,170,000

tons of rice from Thailand to deficit countries for the whole of 1949. The allocation was divided as follows: Ceylon 40,000 tons, China 125,000, India 297,000, Netherlands East Indies 125,000, Indonesian Republic 8,000, the Philippines 24,400, Macao 9,000, Saudi Arabia 5,000, Borneo and Sarawak 33,000, Hongkong 72,000, Malaya 272,500, Kuwait 4,100, Japan 80,000 and Europe 75,000 tons.

The total of rice shipments in June, when 81,459 tons was exported, is the lowest for this year, although higher than any monthly total last year. The drop in shipments is attributed to seasonal reasons. About this time every year shipments decline because most of the rice from the last harvest meant for export has been shipped and falling water levels make rivers difficult for navigation by boats conveying rice from the producing provinces to Bangkok. This year, however, there was another factor. Bookings for steamers were delayed. Without the delay, it would have been possible to export 100,000 tons last month.

June exports were distributed as follows: 15,306 tons to India, 9,200 to the Philippines, 6,523 to Hongkong, 24,827 to Malaya, 9,137 to Ceylon, 7,731 to Japan, 2,498 to the United Kingdom and 193 tons to Eire. About 6,043 tons of Grade C ("free trade") rice was shipped.

The 81,459 tons of rice exported in June this year compares with 79,214 tons shipped in June last year.

Rice shipments last month brought Thailand the following amounts of foreign exchange: £2,455,000, and US\$2,760,000.

Export Commodity Prices and Duties

The following prices were officially fixed for export commodities on which duties will be assessed during the third quarter of this year:

Rice: White rice 74.40 baht per standard picul, white broken rice 52.14 baht, white meal 11.00 baht, cargo rice 59.52 baht, cargo broken rice 37.20 baht, cargo meal 8.00 baht, paddy 40.91 baht.

Rubber: Rubber waste, including tree scrap, lump scrap, earth rubber, and bark shaving from rubber trees 2.90 baht per kilo; liquid rubber latex 1.75 baht; rubber not elsewhere included 4.00 baht.

Teak: Teak logs size 5 feet in circumference and up and 15 feet in length and up 1,200 baht per cubic meter, 5 feet in circumference and up 6 feet but not more than 15 feet in length 1,100 baht. Log ends of all sizes but not more than 6 feet in length 500 baht.

Teak Squares: size 15 square inches in width and up and 15 feet in length and up 2,050 baht per cu.m.; 15 square inches in width and up and six feet but not more than 15 feet in length 1,530 baht; 12 square inches but not more than 15 square inches in width and 15 feet in length 1,650 baht; 12 square inches but not more than 15 square inches in width and 6 feet

but not more than 15 feet in length 1,225 baht; 10 square inches but not more than 12 sq. inches in width and 15 feet in length and up 1,090 baht; 10 square inches but not more than 12 square inches in width and 6 feet but not more than 15 feet in length 980 baht; 10 square inches in width and up and less than 6 feet in length 805 baht.

Teak plank: 15 feet in length and up 2,510 baht per cu. m.; 6 feet but not more than 15 feet in length 1,385 baht; 3 feet but not more than 6 feet in length 1,470 baht.

Teak boards: 6 feet in length and up 1,850 baht per cu. m.; 3 feet but not more than 15 feet in length 1,835 baht.

Teak deck: 15 feet in length and up 3,200 baht per cu. m.; 6 feet but not more than 15 feet in length 2,390 baht.

Teak Scantling: 6 feet in length and up 1,365 baht per cu. m.; 3 feet but not more than 6 feet in length 1,060 baht.

Other Woods: Yang 400 baht per cu. m.; Kabak 500 baht; Choopraek 500 baht; Chan 535 baht; Kotorn 425 baht; Tasue 400 baht; Kapong 350 baht; Carnluang 510 baht; Kabak or Tabak 640 baht; Kwang 500 baht; Pradue 750 baht; Mangtarn 425 baht; Yonghorn 590 baht; Songsalung 510 baht

Reports from Burma

Export Control Policy

Burma's export-control policy since October 1, 1948, has been the converse of its import-control policy, for logical reasons connected with the country's unfavourable hard-currency position and its relation to the Sterling Area. In its control of imports, the Government of Burma restricts purchases from hard-currency sources to essential supplies and equipment which cannot be readily obtained from soft-currency sources at favourable prices. On the other hand, exports of Burmese products to soft-currency markets are permitted only in the absence of favourable market opportunities in hard-currency areas.

Rice, which is Burma's principal export commodity, has always been marketed for the most part in the Sterling Area, almost entirely in southeastern Asia. Under the postwar allocation authority of the International Emergency Food Council, "most of Burma's rice shipments continue to be directed to soft-currency areas in the Far East, principally India, Ceylon, and Malaya. Among the other commodities which Burma normally has available for export, only teak and crude rubber have been prominent. Total Burmese minerals available for export during the postwar period have been only nominal, compared with the volume of petroleum products, tin, tungsten, lead, and zinc, which normally entered world trade from the port of Rangoon.

Most of Burma's export trade is currently a function of the Government. Not only has one-third of the teak processing industry been nationalized, but the Government's Timber Project Board is the actual exporter of a significant

proportion of availabilities from the other sectors of the industry in addition to its exercise of license control over all other teak shipments. Burma's teak forests have in effect been completely nationalized since April 1, 1949. In the rice trade, all exports are the responsibility of the State Agricultural Marketing Board, which sell most of its supplies to the British Ministry of Food, the latter in turn adhering to the allocations determined by the IEFEC.

All private exports from Burma are subject to some form of Government control. Of the export prohibitions, perhaps the most important is that relating to iron and steel products, brass, copper, and aluminium, and scraps thereof. All other metals and metal scrap may be exported, subject to license control. It is possible that the retention of export prohibitions on most metal-scrap products may be a corollary of the military emergency. When conditions permit the resumption of economic development in Burma, scrap will be needed for the operation of a steel rolling plant which the Government intends to establish.

Mineral Output

Mineral output in Burma has fallen off since the first of the year as civil war spread over Lower Burma and arrested a gradual rise in tin production. Tin mining had been recovering from the effects of the war, and in 1948 production was about 1,300 long tons of tin in concentrates. It is estimated that approximately 110' long tons of tin in concentrates were produced monthly in Burma during the first quarter of 1949. In 1940 Burma's production totalled 4,445 long tons.

Burma exported 274 long tons of tin concentrates to Penang and 64 tons of mixed tin and wolfram concentrates to the United Kingdom in the first quarter of 1949 (gross weight of concentrates).

Paper Mills

Orders for machinery for several paper mills to be constructed in Burma have not yet been placed. Plans for the mills have been prepared by the Government of Burma, and their construction will begin as soon as conditions warrant. Both pulp and paper are to be manufactured from bamboo. The mills will be located at Lanya and at Kalein in southern Tenasserim.

A third mill will be built with local labour in the Arakan at Saingdin Falls, 60 miles north of the port of Akyab where there are extensive bamboo forests to the north of the falls. The mill is scheduled to have a daily output of from 45 to 50 tons of pulp, but, initially, only good-quality writing and printing paper will be produced. Production should be seven or eight times Burma's present requirements of these grades of paper, which will enable some exportation to other countries of Southeastern Asia.

A survey is to be made to determine the feasibility of damming the river and constructing a 10,000-kilowatt hydroelectric plant to supply power to the mill. A firm of Australian consulting engineers may be retained to make a survey of the whole project.

Financial & Commercial Reports from Japan

Yen Funds for Hongkong Bank

An arrangement has been completed between the Foreign Exchange Control Board and the Hongkong and Shanghai Banking Corporation in Tokyo, enabling the latter to acquire a yen fund upon disposal of sterling. Since this is the first transaction in furnishing foreign banks with yen funds to help them finance foreign merchants, Japanese financial circles believe it is of particular interest. Against the sale to the Board of the sum of £25,000, negotiable to the SCAP Commercial Account, the British Bank obtained a Yen equivalent on condition that the resulting balance be covered by a buying contract for a corresponding amount. The rate of interest is 3.5 per cent yearly. By this agreement, the Board supplied ¥5,000,000 to the Bank.

Tokyo financial quarters took this procedure as indicative of foreign exchange financing in Japan. In case a pattern of these transactions, "change over" as it is generally called by exchange operators, is permitted there will be a new prospect of acquiring yen funds without being involved in the risk of subsequent fluctuations. Thus transactions of futures will facilitate foreign banks conducting lending of yen amounts. In overseas markets money is cheaper than in Japan. Under such circumstances the practice of "change over" transactions will eventually compel Japanese banks to give odds to branches of foreign banks in the trade finance.

The Foreign Exchange Control Board denied however the possibility of making any similar arrangement in the future, saying that the current method was only an exceptional case. It is nevertheless significant as an incentive to consider some measure on the part of Japanese banks toward cutting the existing discount rates for trade bills.

Cancellation of Export Contracts

With the establishment of the general exchange rate as a turning point, Japan's export trade has stepped into a new stage. Partly due to business recession in overseas territories, a rapid increase is seen in the number of export contracts which have been rescinded by now. A tentative recapitulation of the reports on cancelled contracts received by the International Trade and Industry Ministry shows that US\$17,529,600 worth of export contracts were cancelled from the time of the enforcement of the general exchange rate till the end of May. This means that around ¥6,300 million worth of export goods failed to materialise, including \$16,157,000 in textiles, \$462,000 in iron and steel, and \$910,000 in machinery.

Besides international trade and payment obstacles there was insufficient knowledge of foreign trade practices on the part of Japanese dealers who had rushed to get what contracts they considered profitable.

The Government is planning the establishment of an Export Loss Indemnification System concurrently with their effort of fostering cooperative

movements which includes an insurance system for exportable goods. As for stocks of export commodities, steps were taken by the Government for putting them on sale to domestic consumers.

There has also been a rapid increase in the number of importers' claims on Japanese merchandise. Overseas claims on exports since the end of the war numbered 268 at the end of May this year. Most of these claims centered on sundry goods, totaling 107 cases or 39.93 per cent of buyers complaints. Overseas claims received in the textile line totaled 91 cases or 33.96 per cent, agricultural and aquatic products 45 cases or 16.79 per cent, metals and machinery 16 cases or 5.93 per cent, and chemical products 9 cases or 3.35 per cent.

Most of these troubles happened in the United States, reaching 60 per cent or 161 cases out of the total claims on Japanese exports. Their complaints were followed by dealers in Hongkong, Canada, the Netherlands and Egypt. These troubles originated largely from the poor quality of Japanese goods. 40 odd cases were due to negligence in conforming with trade regulations in the importing countries. Claims for delayed arrival of shipping documents numbered 13 cases i.e. 4.86 per cent of complaints.

It is therefore most urgent that the Government establish trade agencies in overseas territories.

Increased Commodity Stock Situation

The inventory situation is assuming a more serious aspect in recent months. Implementation of the "Dodge line" (economic recovery fundamentals so named after Minister Joseph Dodge) has been thwarted in its earlier stage by monetary insufficiency and is now again confronting difficulties in the production field culminating in the excessive stock-holding.

No definite figures are available for measuring the actual state of these enormous stocks, though they are now estimated to total ¥50,000 million to ¥100,000 million. The excessive inventory holdings are spreading far and wide, including, by now, cotton products, machinery, coal, iron and other general consumption goods.

The causes responsible for this situation may be briefly grouped as follows:—

(A) Decline of demand from governmental organs. Industries largely dependent on government purchase such as those manufacturing rolling stock or communications equipment are affected by the decrease in new orders from government due to the economising tendency in the public finance. The resulting divergence between the presumed demand and actual orders caused excessive stock piles in the division of raw materials.

(B) Decreased investment in equipment. The increase in the stock of capital goods was brought about in accordance with a recession of investments in industrial equipment due to frustrated rehabilitation programs of

business enterprises. The tight money situation affected most of them, forcing them to suspend repair works. This was reflected in the recession of the demand for capital goods.

(C) Recession of consumer demand.

(D) Dwindling Exports. Price decline in the United States market which started last May checked the growth of Japanese exports not only to that country but to other areas. As a result, the stocks of export goods reached an all-time high since the end of the war, which is acutely felt in the textile line.

The immediate effects of unbalanced stocks have two remarkable points.

In the first place, shortage of money in industrial circles has become aggravated. The stringency of money which had been witnessed until last spring was caused by financial causes, such as strengthening of tax collection, delay in government disbursements, etc. In recent weeks, however, excessive stock-holdings came to the fore as the causes responsible for current money difficulties. As long as the shortage of money is found in financial causes, attempts at solution are likely to gain success, for instance, by speeding up government payments. Things are not so easy in case industries are hard pressed for money due to holding excessive inventories.

In the second place, the existing system of economic control must be re-examined. Since the planning of production and distribution has been considerably deprived of its significance, particularly because of the current high stock condition, Japanese economists will have to revise the present system of setting production targets, allotment of basic materials, price controls, etc.

Japan's Wool Industry

Hongkong has been Japan's No. 1 post-war outlet for woollen goods, with Egypt and South Africa second and third, respectively. But business with India in this line has increased so rapidly in the short time since it was started in July last year that sanguine hopes have come to be entertained that the Indian market will eventually become Japan's largest outlet. However, the Indian Govt. for exchange reasons had to curtail strongly imports from Japan.

The recent action of the Indian Government has been necessary as imports from Japan have exceeded the limit stipulated in the trade agreement concluded in November last year. There has arisen a possibility of a shortage in India's foreign exchange fund. Although imports will be allowed subject to the approval of specific transactions, there seems hardly any hope of a big export to that country before a new agreement is signed in July.

There is a pressing need to develop an alternative outlet. Otherwise a crisis will confront Japan's wool industry which is today subsisting on export.

Japan's exports of woollen goods last year were as follows:

Economic Developments and Trade Controls in Indonesia

Although Indonesia's political picture remained clouded and guerilla warfare impeded production and rehabilitation during the first half of 1949 particularly in the western and eastern regions of Java, progress nevertheless was noted in the number of estates reopened in the recently re-occupied territory and expansion continued in the output of the four lead-

ing postwar Indonesian exports: Petroleum, tin, rubber, and copra. However, although production and exports show a rise over 1948 levels, total trade is still far below current potentials. Shortages of machinery, textiles, and other essential import items are retarding production and subnormal output has in turn delayed rehabilitation. Trade circles are pessimistic regarding the continued improvement of economic conditions unless military and political accord is achieved.

Foreign Trade

March trade developed an unfavourable balance of 2,600,000 guilders — (February, 14,300,000 guilders). Imports amounted to 105,700,000 guilders (February, 117,900,000), and exports totaled 103,100,000 (February, 103,600,000). A summary of the first quarter indicates that expenditures for foreign goods amounted to 279,500,000 guilders and receipts from exports reached 314,200,000, leaving an over-all positive balance of trade of 34,700,000 guilders.

As of March 1, 1949, the "historical rights" system was abolished with regard to imports from soft-currency countries. (Under the "historical rights" system, imports were allocated to established dealers on the basis of their prewar share imports.) Restrictions with regard to the allocation of imports from Switzerland, Belgium, Portugal, and the U.S., U.K., and French Zones of Germany have now been lifted also, leaving only the import trade from the United States, Canada, and Japan subject to the historical rights allocation system.

Domestic Economy

Cost of living dropped in most cities during April as the new rice harvest began to reach the markets. In Batavia, the index fell from 1318 in March to 1141 in April (based on July 1938 prices as 100). April rice quotations

declined about 5 guilder cents per litre, varying from 75 to 85 guilder cents per litre.

Agriculture

Estate rubber production during March amounted to 14,003 metric tons (February, 12,180). Total shipments of native and estate rubber through legal channels totaled 26,341 tons (February, 24,240 tons). To stimulate output of gums, 15 percent of the sales price was to be returned in Singapore and Hongkong currency to exporters during the second quarter. April imports amounted to 21,856 tons as compared with 40,167 tons in the preceding month. Consumption during April is estimated at 44,360 tons. In general, the rice-crop prospects for the next harvest are considered good except for the surplus area of southern Celebes, where drought and pests are adverse factors. April output of copra was augmented to 37,563 tons, a 22 percent increase over March production. Exports during April were 28,109 tons, and domestic sales totaled 8,286 tons. Stocks totaled 43,466 tons. Palm-oil production in March was raised 7 percent above February, amounting to 7,270 tons. Shipments at 6,856 tons were double those of the preceding month. ECA counterpart sales began in April and are to reach an eventual total of 8,000 tons. March kapok shipments comprised 520 tons of fibre and 51 tons of seeds. Estate coffee production in March amounted to 10,617 kilograms, and exports were 469,500 kilograms. Coffee prices weakened in April with arrivals from eastern Sumatra. Tobacco planting is under way in western Java, but the outlook for curing it is reported as unfavourable because of insecurity.

Mining

Tin production in April amounted to 2,743 tons of concentrates, an increase of 11 percent from the March level of 2,463 tons. Exports, however, declined 12 percent from 2,914 tons in March to 2,560 tons in April. Bauxite production in April totaled 35,194 tons (57,150 tons in March) and exports, 34,595 tons (52,106 tons in March).

Financial

The Java Bank reported currency in circulation in January of this year at 1,626,842,000 guilders. By May 18, this amount had increased 4.5 percent to 1,700,631,000 guilders.

Tariffs and Trade Controls

Import, Export, and Foreign-Exchange Regulations Resume

The following is a review of import and export formalities, duties, and foreign-exchange regulations effective in Indonesia.

Worsted Fabrics

	sq. yds.
Hongkong	1,258,389
Singapore	70,116
Bangkok	26,750
U.S.A.	41,945
Egypt	72,340
Panama	9,327
South Africa	25,910
India	378,554
Sweden	11,082
United Kingdom	4,129
Total	1,898,542

Woollen Fabrics

	sq. yds.
Hongkong	5,513
Singapore	1,432
Egypt	1,358
U.S.A.	2,515
Total	10,818

Woollen Yarn

	lbs.
Hongkong	46,000
United Kingdom	111,635
India	76,200
Total	255,141

Before the war, the principal markets for Japanese woollen goods were Asia (Manchuria, Mongolia and North China), Korea, South Africa and Egypt, as the following export returns for 1936-1940 shows:—

Total exports

(Yarn in 1,000 lbs, Fabrics in 1,000 sq. yds.)

	1936	1937	1938	1939	1940
Woollen and worsted yarn ..	7,070	7,323	7,636	8,041	5,687
Woollen and worsted fabrics ..	46,515	42,425	36,338	34,581	21,958

Proportions taken by principal markets (yarn and fabrics combined)

	1936	1937	1938	1939	1940
	%	%	%	%	%
All Asia	27.02	29.83	47.30	32.54	15.49
India	11.80	20.20	9.57	8.44	13.10
South Africa	5.79	8.66	6.97	15.14	19.14
Hongkong	4.25	2.27	1.75	4.82	5.40
Egypt	6.68	6.66	2.51	4.15	2.16
Korea	20.45	17.37	22.76	24.20	22.26

General Information

1. All commercial import transactions require a foreign-exchange permit and import declaration, accompanied by original invoices. Exports require an export permit.

2. Consular invoices are not required.

3. Certificates of origin are not required except for exports of narcotics.

4. There are no preferential customs duties.

5. The Indonesian Institute for Foreign Exchange (Deviezen Instituut voor Indonesie) controls all transactions involving foreign exchange. The Institute is credited with the foreign currency proceeds of exports, and provides importers in possession of import licenses with the required foreign exchange.

6. Direct transactions involving payment for imports with the proceeds of exports ("compensation transactions") are prohibited.

7. The exportation of basic food-stuffs generally is prohibited. Export trade is open to all, but is subject to regulations issued by the Export Bureau (Bureau Voor Uitvoorzaken). Those wishing to establish themselves as exporters can do so freely (no permit or registration is required), and can deal in all products with the exception of a few commodities which are controlled by the following agencies: Copra, the Copra Fund; cinchona bark and quinine, the Quinine Bureau; tin, tin ore, and coal, the Sales Bureau for Mineral Ores; bauxite, the N. I. Bauxite Exploitation Co.; and estate products of undetermined ownership, the Central Sales Agency for Estate Agricultural Products.

8. The Import trade is also subject to a series of general controls and regulations, but in addition limits the sphere of operations in which individual importers may engage. The Central Import Office (Centraal Kantoor van de Invoer) exercises general supervision over the import trade.

Imports

Formalities and Regulations.—The import license is issued by the Central Import Office, and automatically entitles the holder to a foreign-exchange license. Import permits are not required for:

1. Imports by mail and otherwise not exceeding 25 guilders (approximately \$9.50), if not for resale.

2. Articles intended for exhibition or reexport.

3. Goods not subject to import duty under international agreements.

4. Personal and household effects.

5. Samples and free advertising materials.

6. Empty containers for which no foreign exchange is due and which are not intended for sale in Indonesia.

7. Goods imported by government agencies and specified oil and shipping companies.

In order to conserve foreign exchange, imports are restricted as to volume, type of merchandise, country of origin, prices paid, etc. For this purpose, import plans are prepared by the Planning and Allocation Institute, a subdivision of the Department of Economic Affairs, in consultation with representatives of importers' and wholesalers' associations. These plans are subject to the approval of the Foreign Exchange Institute.

Until March 1, 1949, imports thus planned and approved were primarily allocated among importers on the basis of their prewar share in the import of specific articles, in accordance with the so-called historical rights system. About 10 percent of the trade was reserved for new firms, especially those owned by Indonesians. Since March 1, however, this method of allocation has been discontinued with regard to imports from soft-currency countries, so that all bona-fide importers (as determined by the Chief of the Bureau of Commerce) may place orders directly with foreign sellers after approval by the Import Office. Under these new regulations, requests by importers for approval of their import offers are no longer submitted to the "Centrale Convenanten" (organization of prewar importers), but are now dealt with directly by officials of the Central Import Office.

The historical rights allocation system remains in force for imports from hard-currency countries only when from the United States, Canada, and Japan. Furthermore, dollar exchange is generally not issued for the importation of goods available in soft-currency countries. In cases of exceptionally attractive offerings for urgently needed goods, orders may be allotted to importers without regard for their historical rights.

Restrictions and Prohibitions.—Prewar prohibitions and restrictions, such as those on explosives, printed matter, alcoholic beverages, matches, lead white, cattle and their products, live plants (including fruits), and narcotics, are still in force; special per-

mits, or health and similar certificates, are necessary. The importation of military and semimilitary goods, though not absolutely prohibited, requires a special import permit issued by the Secretary of State for Economic Affairs.

Foreign-Exchange Permits.—The foreign-exchange permit has a validity of 6 months, but this period may be extended in exceptional circumstances by the Foreign Exchange Institute in consultation with the Central Office of Imports. Requests for extension must show that (1) the order was definitely placed within the validity period of the permit; (2) opening of credit was not required; (3) unusual conditions prevented shipment within the period. These requests for extension of the foreign exchange contract and/or the credit opened must be applied for before the expiration date of the contract or credit, countersigned by the bank in question, and submitted to the Foreign Exchange Institute. The corresponding import declaration will be valid for 2 months beyond the expiration date of the foreign-exchange license. Within 1 month after the issue of the foreign-exchange permit, the holder must close his foreign-exchange contract with the bank through which the transaction is being financed.

On imports from countries with which Indonesia has bilateral agreements, licenses are valid only for purchases of merchandise from the treaty country expressly stated on the license as the country of origin. The Foreign Exchange Institute is authorized, in consultation with the Central Office of Imports, to permit such purchases to be made elsewhere, and to designate another country as "country of origin."

Import Duties.—There are no preferential duties. Prewar basic rates of 6 percent ad valorem on capital goods, raw materials, and semimanufactures; of 12 percent on consumer goods; and of 20 percent on luxury items, are now being subject to a 50 percent surtax, making current rates respectively 9, 18, and 30 percent. On imports of beer the surtax is 80 percent. Duties are calculated on the c. i. f. value.

Exempt from import duties are: Raw materials, and certain goods or merchandise used in agriculture, public health, and transportation, in the preparation or processing of export commodities, and in certain domestic industries, especially weaving and metal manufacturing.

Pursuant to the Geneva Tariff Conference, duties have been eliminated or reduced, effective March 1, 1948, as follows:

Free from duties are: Acacia bark and extracts; crude camphor; raffia

fiber; bark of plants; calcium carbide (if not used for lighting purposes); unprepared leather skins (other than fish and reptile skins); and tin-foil (lead sheets) heavier than 450 grams per square meter.

Reduction to about half of existing rates on: Ingredients in bulk for the industrial manufacture of beverages; synthetic plastic materials in pieces or powder (for the lacquer industry); chalk, pencils, slate pencils; shaving soap in bars, liquid soap; leather; rabbit and opossum skins; heels and soles; cardboard; canvas; sanitary equipment made of porcelain; workbenches and similar articles for industrial firms; Diesel motors; ice and cooling machinery for ice plants; large freezers; automatic vending machines; pocket flashlight batteries; electrical heating and lighting installations for houses, hotels, and other living quarters; tractors; and motion-picture equipment.

Import duties may be waived for chemicals, paints, and similar materials necessary as manufacturing aids; crude minerals and crude petroleum for certain specified industries; materials and articles required for the processing of export merchandise; and machinery and equipment for new industries. Import duties may also be waived for a period of 2 years on raw materials required by new industries.

A temporary reduction in duties, or a reconstruction subsidy amounting to 50 percent and in force until January 1, 1950 applies to imports of: Certain specified machinery, equipment, apparatus, and parts, such as leather and rubber belting, packing material, high-pressure hose; wooden parts for textile machinery and casting molds; articles made of papier mache for weaving mills; hose for the transportation of liquids; weaving straps and cover; millstones (grindstones); asbestos insulating and packing material, fireproof bricks, glass gage tubes; structural steel, axle material, industrial pipe; boilers, steam engines, and electrical machinery; mechanical and electrical apparatus and equipment; dredging mills, sand (suction) dredges, and derricks; volt and ampere meters, pyro-

meters, and manometers, provided they are to be used in the rehabilitation and reconstruction of industry, etc.; and iron and steel drain pipe. For these imports a separate import declaration is required.

Excise Taxes.—The rates vary according to product.

Statistical Tax.—A three-eighths of 1 percent ad valorem (includes one-fourth of 1 percent charge by the Foreign Exchange Institute) is assessed as a statistical tax.

Harbour Dues.—Harbor dues range from 0.50 guilder to 1.25 guilders per metric ton gross, depending upon harbor.

Dumping.—If the Customs authorities are of the opinion that the declared entrepot value (c. i. f. value plus unloading charges) is too low, they may assess a higher value, levy customs duties accordingly, and subject the importer to a fine. This decision may be appealed to the Customs Board of Examiners, consisting of representatives of the Government and of the trade. The Board's decision regarding the evaluation of the merchandise is final, but the importer may contest the imposition of the fine in the regular courts of justice.

Exports

Formalities and Regulations.—By decree of January 28, 1947, commercial exports require an export license from the Bureau for Exports. Moreover, estate agricultural products (excluding sugar) from the areas on Java and Sumatra reoccupied after December 20, 1948, require a permit from the Central Sales Organization for Estate Agricultural Products (Centrale Verkoop Organisatie van Ondernemingslandbouwproducten — C. V. O.) The requirement that a permit must be obtained from the Netherlands Indies Association for the Sale of Sugar (Nederlandsch-Indische Vereeniging voor de Afzet van Suiker—N. I. V. A. S.) applies to stocks in the entire federal area of Java and Sumatra.

Prohibitions and Restrictions.—The exportation of basic foodstuffs (rice, maize, and soybeans) is temporarily prohibited, although exports of limited quantities of maize and soybeans are

actually being permitted. For other categories of products or merchandise, exports are permissible only to specified countries, in accordance with current obligations under commercial agreements. At present 50 percent of all exports of estate rubber must be shipped either to the United States or to Canada.

In principle, prewar regulations are in effect prohibiting and restricting the exportation of cattle and cattle products, parrots and similar birds, narcotics (drugs), tobacco seed, live plants, and certain seeds, including kapok, coffee, cinchona, rubber, sugarcane, and tea. Exports of citronella oil require certificates of analysis issued by the Laboratory for Chemical Research at Buitenzorg, Java.

Duties.—The provisional transitional export duty of 20 percent was replaced as of February 1, 1949, by a general export duty of 8 percent ad valorem. Deviations and exemptions are in force for certain products.

Statistical Tax.—A three-eighths of 1 percent ad valorem (including Foreign Exchange Institute levy of one-eighth percent). Statistical tax is levied on exports.

Harbor Dues.—Harbor dues vary from 0.50 guilder to 1.25 guilders per metric ton gross, depending upon the harbour.

Official Values.—Official values for the calculation of export duties and the statistical tax are fixed quarterly for certain products. For the second quarter of 1949, such values were in force for beewax, copra cakes and meal, mace, hides, kapok, coffee, cloves, nutmeg, essential oils, palm oil, palm kernels, pepper, tea, fibers, petroleum, and rubber. For other products, the basis for calculation is the value at time of export.

Barter Trade.—In the trade with Singapore and Hongkong special barter regulations are in effect, limited exclusively to native-grown products, whereby exporters may use a certain portion of the foreign-exchange proceeds for the purchase of specified essential imports.

In all other instances, barter and compensation transactions are prohibited.